

# AGENDA

## UTAH COUNTIES INDEMNITY POOL BOARD OF TRUSTEES MEETING

Thursday, August 18, 2016, 12:30 p.m.

UAC/UCIP Building, 5397 S Vine, Murray, Utah

12:30 Open Meeting, Pledge of Allegiance Bruce Adams

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### ITEM ACTION

1	Review/Excuse Board Members Absent	Bruce Adams
2	Review/Approve June 3, 2016 Meeting Minutes	Karla Johnson
3	Target Fund Balance Review & Analysis	Kevin Wick, Paige Demeter
4	Review/Approve 2017 Rate Analysis	Mary Jean King
5	Review/Approve 2017 Member Contributions	Sonya White
6	Review/Approve County Related Entities Membership	Mike Wilkins
7	Ratification/Approval of Payments and Credit Card Transactions	Karla Johnson
8	Review/Approve Second Quarter 2016 Financial Statements	Sonya White
9	Review/Approve Policies of the Board	Johnnie Miller
10	Review/Approve Bylaws Amendments	Dale Eyre
11	Review/Approve Coverage Addendum Amendments	Johnnie Miller
12	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	Bruce Adams
13	Action on Personnel Matters	Brad Dee
14	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	Bruce Adams
15	Action on Litigation Matters	Dale Eyre
16	Review/Approve Education Committee Plan	William Cox

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### INFORMATION

17	Monthly Educational Training	Johnnie Miller
18	Chief Executive Officer's Report	Johnnie Miller
19	Other Business	Bruce Adams

Electronic Meeting Notice: 888-447-7153, Participant Passcode: 2261240 Anchor Location: 5397 S Vine, Murray, UT





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Notice Title: Board of Trustees Meeting

Government Type: Special Districts

Entity: Utah Counties Indemnity Pool

Body Name: Board of Trustees

Notice Subject: Administrative Services

Notice Type: Meeting

Street Address: 5397 S Vine

Street Address continued:

City: Murray

Zip: 84107

Start Date: 08/18/16 12:30 PM

End Date: 08/18/16 3:30 PM

Description / Agenda: Open Meeting, Pledge of Allegiance

Review/Excuse Board Members Absent

Review/Approve June 3, 2016 Meeting Minutes

Target Fund Balance Review & Analysis

Review/Approve 2017 Rate Analysis

Review/Approve 2017 Member Contributions

Review/Approve County Related Entities Membership

Ratification/Approval of Payments and Credit Card Transactions

Review/Approve Second Quarter 2016 Financial Statements

Review/Approve Policies of the Board

Review/Approve Bylaws Amendments

Review/Approve Coverage Addendum Amendments

Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual

Action on Personnel Matters

Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation

Action on Litigation Matters

Review/Approve Education Committee Plan

Monthly Educational Training

Chief Executive Officer's Report

Other Business

ADA: In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and

services) during this meeting should notify Sonya White at the Utah Counties Indemnity Pool, 5397 S Vine, Murray, UT 84107, or call 801-3565-8500, at least three days prior to the meeting.

Electronic Participation: Any Member of the Utah Counties Indemnity Pool Board of Trustees may participate telephonically.

Other:

Emergency Notice: No

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Attachments: There are attachments associated with this notice.

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**BOARD OF TRUSTEES' MEETING  
MINUTES**

August 18, 2016, 12:30 p.m.

UAC/UCIP Building, 5397 S Vine, Murray, Utah

**BOARD MEMBERS PRESENT**

Bruce Adams, *President*, San Juan County Commissioner  
Bret Millburn, *Vice President*, Davis County Commissioner  
Karla Johnson, *Secretary/Treasurer*, Kane County Clerk/Auditor  
Alma Adams, Iron County Commissioner  
William Cox, Rich County Commissioner  
Robert Dekker, Millard County Sheriff  
Brad Dee, Weber County Human Resources Director  
Dale Eyre, Sevier County Attorney  
Victor Iverson, Washington County Commissioner  
James Kaiserman, Wasatch County Surveyor  
Mike Wilkins, Uintah County Clerk/Auditor

**BOARD MEMBERS ABSENT**

Kerry Gibson, Weber County Commissioner  
Mark Whitney, Beaver County Commissioner

**OTHERS PRESENT**

Johnnie Miller, UCIP Chief Executive Officer  
Sonya White, UCIP Chief Financial Officer  
Marty Stevens, UCIP Operations Specialist  
Paige Demeter, PWC, Manager  
Kevin Wick, PWC, Director  
Mary Jean King, BYNAC Actuary

**Call to Order**

Until the arrival of Bruce Adams, Bret Millburn called the meeting of the Utah Counties Indemnity Pool's Board of Trustees, to order at 12:30 p.m. on August 18, 2016, and welcomed those in attendance. Bret led the Pledge of Allegiance and a prayer was offered. Johnnie Miller introduced Marty Stevens, UCIP's new Operations Specialist. Marty's background is in Insurance and Business Management. Johnnie also introduced Paige Demeter, Kevin Wick and Mary Jean King who will be presenting to the Board.

**Review/Excuse Board Members Absent**

James Kaiserman made a motion to excuse Kerry Gibson and Mark Whitney from this meeting. William Cox seconded the motion, which passed unanimously.

**Review/Approve June 3, 2016 Meeting Minutes**

The minutes of the Board of Trustees meeting held June 3, 2016 were previously sent to the Board Members for review (see attachment number one). Mike Wilkins made a motion to approve the June 3, 2016 Board of Trustees meeting minutes as written. Karla Johnson seconded the motion, which passed unanimously.

### **Target Fund Balance Review and Analysis**

Kevin Wick and Paige Demeter of PWC have been compiling all the data needed to conduct a risk based surplus needs analysis since the June Board meeting. The analysis is complete and was presented to the Board (see attachment number two). The purpose of the analysis is to compliment the Pool's actuarial work and provide the Board with a tool to determine how much fund balance and capital is needed to fund the following risks: 1) underwriting; 2) reserving; 3) asset and credit; and 4) operational. Using a one in one hundred year event resulted in an indication of about \$13,700,000 targeted surplus. Looking at a change in retention levels, growth, longer duration bonds, and reinsurance strategies may change the need for higher capital. The percent of each capital need source is: 1) underwriting 14%; 2) reserving 58%; 3) asset and credit 26%; and 4) operational 2%. In determining a capital target, the Board may consider using a risk management measurement as well as its financial goals to determine capital requirements. The Pool Board currently uses a one-to-one (revenue to surplus) as their measurement in accordance with the restrictions imposed on counties. The US Regulator, NAIC, has determined a minimum capital requirement for the insurance industry is one-to-ten formula. Suggestions for developing and/or updating the Pool's surplus policy are: 1) define minimum and maximum target levels; 2) target range is wide enough to facilitate rate stability; 3) consideration of current and potential risk profiles; 4) consideration of market conditions that may force higher retentions and program growth; 5) member's financial demands beyond insurance; and 6) funding of other demands.

Johnnie Miller thanked Kevin Wick and Paige Demeter for their report on their analysis. This provides the Board with information to consider. Johnnie will prepare information regarding the Pool's risk appetite compared with the State Auditor's attitude to present to the Board at its next meeting. Karla Johnson requested that claims information also be presented to the Board for those counties who have terminated membership.

### **Review/Approve 2017 Rate Analysis**

Mary Jean King of By The Numbers Actuarial Consulting provided the Board with her findings of the indicated contribution needed for 2017 (see attachment number three). The expected contribution has decreased from the prior year by 3.9% for a total of \$5,810,000. Management asked to see the effect of using employee count instead of expenditures as a basis for the analysis by line of coverage (see attachment number four). In Mary Jean's opinion using the exposure base that matches the risk is more accurate to avoid financial fluctuations. Law Enforcement is the majority of the Pool's risk followed by Public Officials and General Liability. Analyzing these risks separately using the body count indicator provides the Pool with a better way to rate and ties to the rating used by the reinsurance carrier. James Kaiserman made a motion to approve the actuarial contribution indication analysis using the new rating method of employee count. Victor Iverson seconded the motion, which passed unanimously.

### **Review/Approve 2017 Member Contributions**

Sonya White reported that all member counties have reported their exposures as of June 30, 2016 for the purposes of calculating their 2017 member contributions. Based on management's recommendation and the actuary's concurrence, Sonya presented the Board with the proposed contributions using the new rating method (see attachment number five). Some members experienced a large fluctuation converting from expenditures to number of full time employees and number of full time law enforcement. In those cases management proposes that the change in exposure be the basis for the change in contribution. It may take a couple of years for the new rating to stabilize but as reported previously, the body count indicator is a more accurate rating method. The total contribution is \$267,000 over the actuarial expected contribution to pay claims, reinsurance and administrative expenses of the Pool. James Kaiserman made a motion to approve the proposed rating method for the 2017 member contributions. Victor Iverson seconded the motion, which passed unanimously.

### **Review/Approve County Related Entities Membership**

Johnnie Miller reported that the Wasatch County Special Service District #9 (Mineral Lease) is the last of the Districts listed as a County Controlled Entity under Wasatch County to be written as their own separate member. Mike Wilkins made a motion to approve the membership of the Wasatch County Special Service District #9 as a non-equity, non-voting member of the Pool. William Cox seconded the motion, which passed unanimously.

#### **Review/Approve County Related Entities Membership (continued)**

Johnnie Miller reported that he has been working with Emery County in creating a separate legal entity called the Emery Emergency Medical Services. Once all the paperwork is finalized this entity will need coverage. Mike Wilkins made a motion to approve the membership of the Emery Emergency Medical Services as a non-equity, non-voting member of the Pool. William Cox seconded the motion, which passed unanimously.

#### **Ratification and Approval of Payments and Credit Card Transactions**

Karla Johnson reported that she has reviewed the payments made, the payments to be made and the credit card transactions of the Pool as of June 6, 2016 through August 18, 2016 (see attachment number five). William Cox made a motion to approve the payments made, the payments to be made and the credit card transactions as presented. Mike Wilkins seconded the motion, which passed unanimously.

#### **Review/Approve Second Quarter 2016 Financial Statements**

Sonya White provided the Board with the second quarter in-house prepared, unaudited account balances arising from cash transactions and from accrual transactions of the Pool as of June 30, 2016 to the basic financial statements (see attachment number six). Total net position increased \$452,596 from year ended 2015 and \$1,227,032 from the second quarter 2015. With the year 50% complete, revenues are at 51% of budgeted and expenses are at 43% of budgeted. Victor Iverson made a motion to approve the second quarter 2016 financial statements as prepared and presented. Mike Wilkins seconded the motion, which passed unanimously.

#### **Review/Approve Policies of the Board**

Johnnie Miller reported that he has been working with the State Auditor's office to adhere to the new requirements outlined in U.C.A. 63A-3-107, travel expenses of board members and state officers and employees. As an Interlocal agency of the state of Utah, it is proposed that Trustee/Employee Travel Reimbursement Policy be updated and approved as presented by Johnnie Miller (see attachment number seven). Brad Dee opined that it wasn't the legislative intent that Interlocal agencies be required to conform to state administrative rules. Karla Johnson made a motion to approve the UCIP Trustee/Employee Travel Reimbursement Policy as amended and presented. Victor Iverson seconded the motion, which passed unanimously.

Johnnie Miller provided the Board with the proposed amendments to the UCIP Purchasing Policy (see attachment number eight). Karla Johnson made a motion to approve the Purchasing Policy as amended and presented. Victor Iverson seconded the motion, which passed unanimously.

#### **Review/Approve Bylaws Amendments**

Dale Eyre provided the Board with the proposed amendments to Article 15 of the Bylaws, Conflict of Interest of Defense Counsel (see attachment number nine). Pursuant to U.C.A. 63G-7-902 and 17-18a-5-501, additional language has been added to the Bylaws clarifying that UCIP defense counsel must be approved by the member county attorney when provided to assist the county attorney in fulfilling their statutory obligation to defend officers and employees of the county. Victor Iverson made a motion to approve the proposed amendments to the Bylaws as presented. William Cox seconded the motion, which passed unanimously.

#### **Review/Approve Coverage Addendum Amendments**

Johnnie Miller provided the Board with the proposed language for an Unmanned Aircraft Endorsement to the Coverage Addendum (see attachment number ten). The endorsement will provide limited defense coverage for unmanned aircraft that are not scheduled with UCIP. UCIP provides \$3,000,000 coverage for unmanned aircraft scheduled with UCIP.

Johnnie Miller provided the Board with the proposed language for a Terrorism Endorsement to the Coverage Addendum (see attachment number 11). Terrorism is no longer excluded by County Reinsurance Limited up to the \$3,000,000 layer.

### **Review/Approve Coverage Addendum Amendments (continued)**

Johnnie Miller provided the Board with proposed additional language to Part VII Liability Coverage Sections A.4.a., B 4.a, C 6.a, and Part VIII Automobile Liability Section F.1, *Defense, Judgement and Settlement*. The language is to comply with U.C.A. 63G-7-902 and 17-18a-5-501 and to coincide with the approved amendments to the UCIP Bylaws.

Brad Dee made a motion to approve the amendments to the Coverage Addendum as presented. Mike Wilkins seconded the motion, which passed unanimously.

Johnnie Miller explained that National Union Fire Insurance added Impersonation Fraud to the Crime Section of their reinsurance agreement effective January 1, 2016. The amount of coverage is limited to \$100,000 with a \$25,000 deductible. This coverage has yet to be added to UCIP's Coverage Addendum. There may be a possible loss in this regard. Johnnie recommended that if a claim is filed that the Board consider paying the \$25,000 deductible. The Board was hesitant paying a loss that coverage has not been approved by the Board.

### **Set Date and Time for Closed Meeting**

Victor Iverson made a motion to Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual at 3:15 p.m. on August 18, 2016. William Cox seconded the motion, which passed unanimously. Board Members present at and participating in the closed meeting were: Bruce Adams, Bret Millburn, Karla Johnson, Alma Adams, William Cox, Brad Dee, Robert Dekker, Dale Eyre, Victor Iverson, James Kaiserman and Mike Wilkins. Also present was: Johnnie Miller.

The regular scheduled meeting resumed at 3:20 p.m. on August 18, 2016.

### **Action on Personnel Matters**

Victor Iverson made a motion to strike agenda item: *Action on Personnel Matters*. William Cox seconded the motion, which passed unanimously.

### **Set Date and Time for Closed Meeting**

Victor Iverson made a motion to strike agenda item: *Set Date and Time for a Closed Meeting to Discuss Pending or Reasonably Imminent Litigation*. William Cox seconded the motion, which passed unanimously.

### **Action on Litigation Matters**

Victor Iverson made a motion to strike agenda item: *Action on Litigation Matters*. William Cox seconded the motion, which passed unanimously.

### **Monthly Educational Training**

Johnnie Miller explained that the Utah Association of Counties contracted with a third party to create educational videos on what each county affiliate officer does. As an educational tool for UCIP, management would also like to have a video created. The Board agreed if the budget allows.

### **Chief Executive Officer's Report**

Johnnie Miller reported that he continues to conduct training within the counties when requested. Johnnie is working closely with the Director of the Association of Counties in planning workshops and conferences. Johnnie continues to work directly with the Tort Caps Legislative Study Group.

### **Other Business**

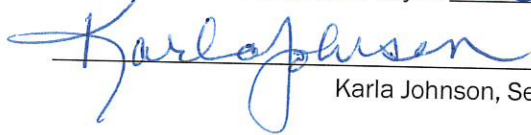
The next meeting of the Board of Trustees will be held Thursday, October 13, 2016 at 12:30 p.m. at the UAC/UCIP Offices, 5397 S Vine, Murray, Utah.



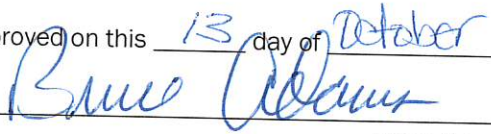
Prepared by:

  
\_\_\_\_\_  
Sonya White, UCIP Chief Financial Officer

Submitted on this 13 day of October 2016

  
\_\_\_\_\_  
Karla Johnson, Secretary/Treasurer

Approved on this 13 day of October 2016

  
\_\_\_\_\_  
Bruce Adams, President



# *Utah Counties Indemnity Pool*

## Target Fund Balance Review & Analysis

August 18, 2016

Presented by:

Kevin Wick, FCAS, MAAA

Paige DeMeter, FCAS, MAAA

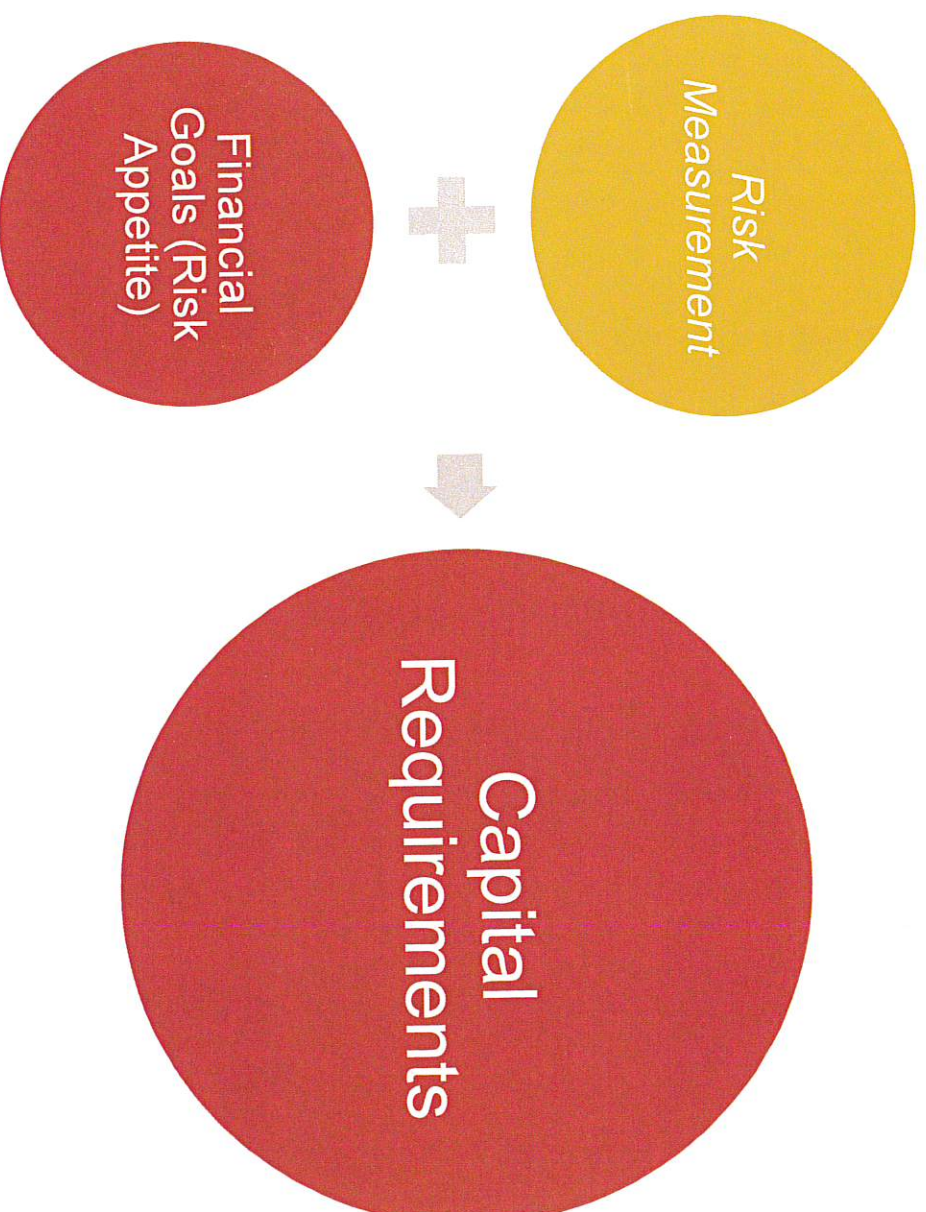
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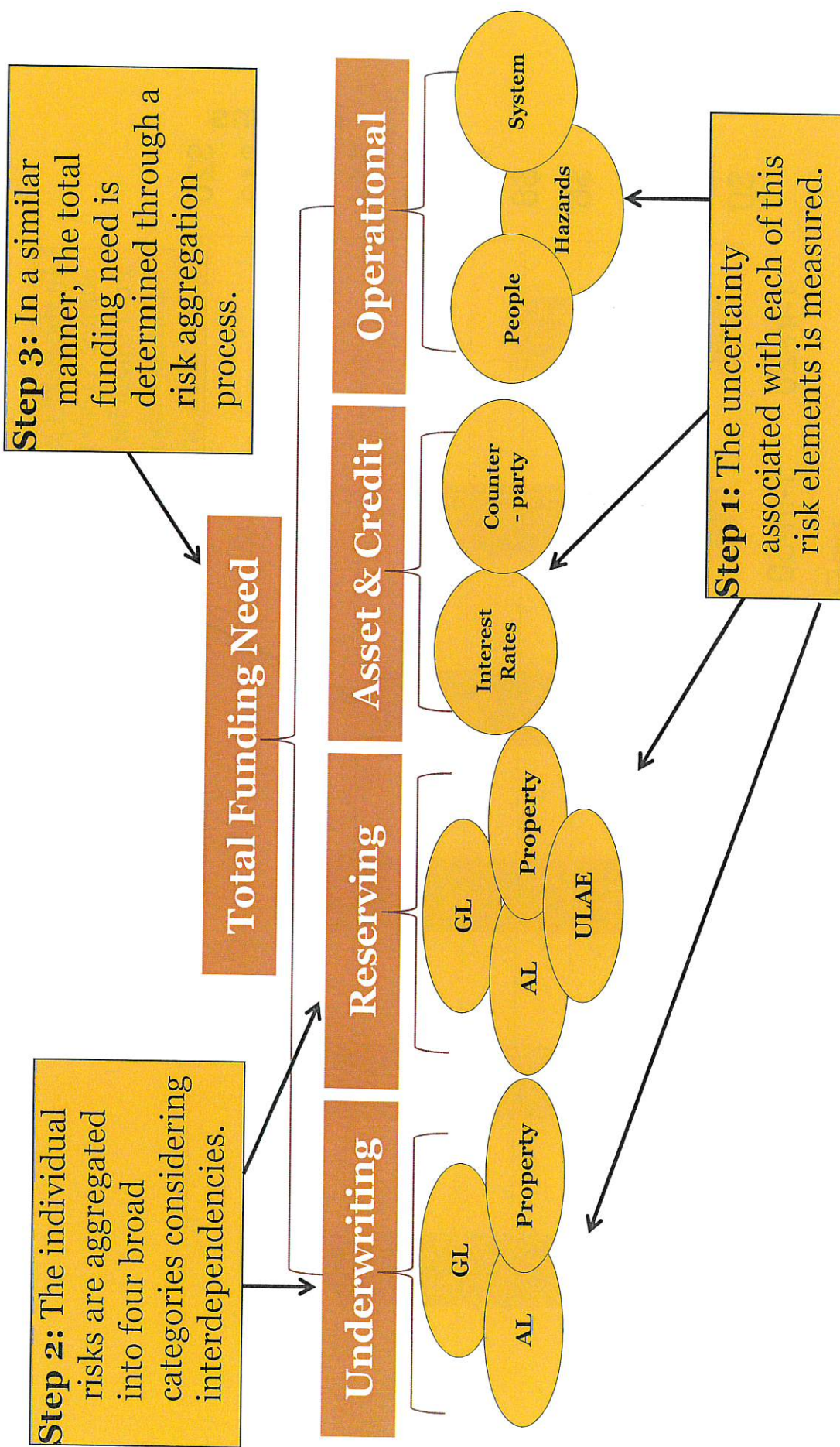
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## *Determining Capital Targets*

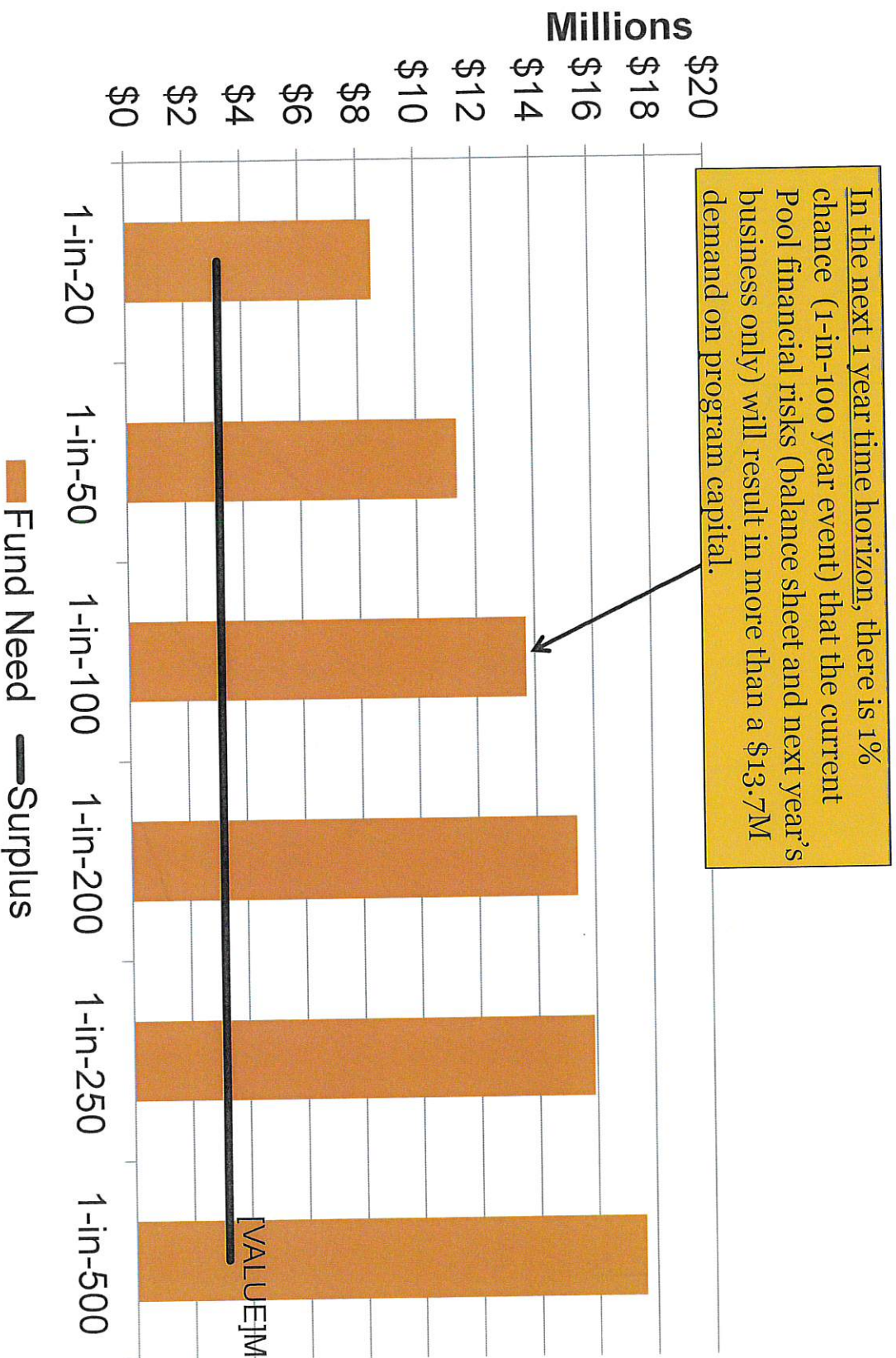


# Capital Modeling Process

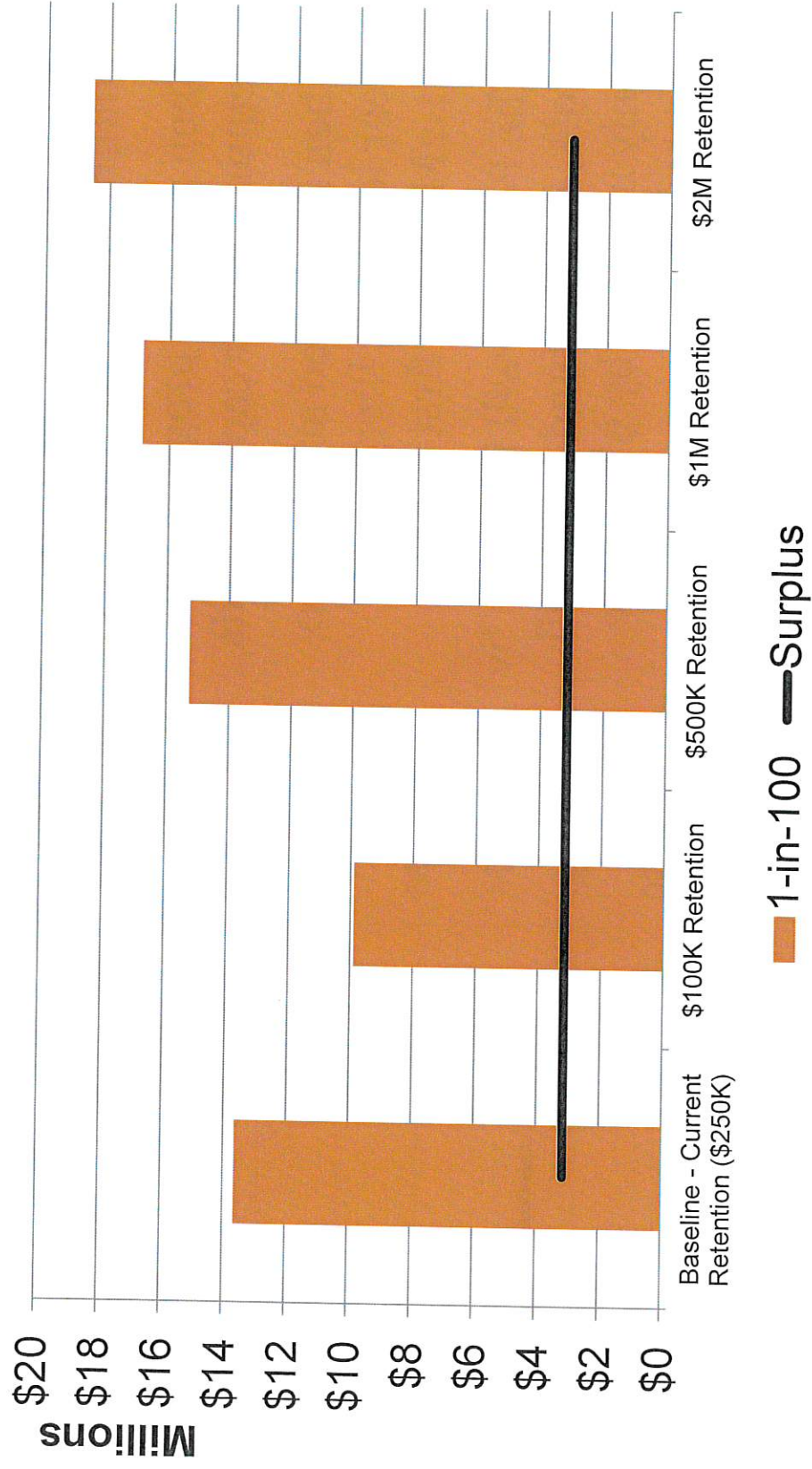




# Overall Results (As of December 31, 2015)

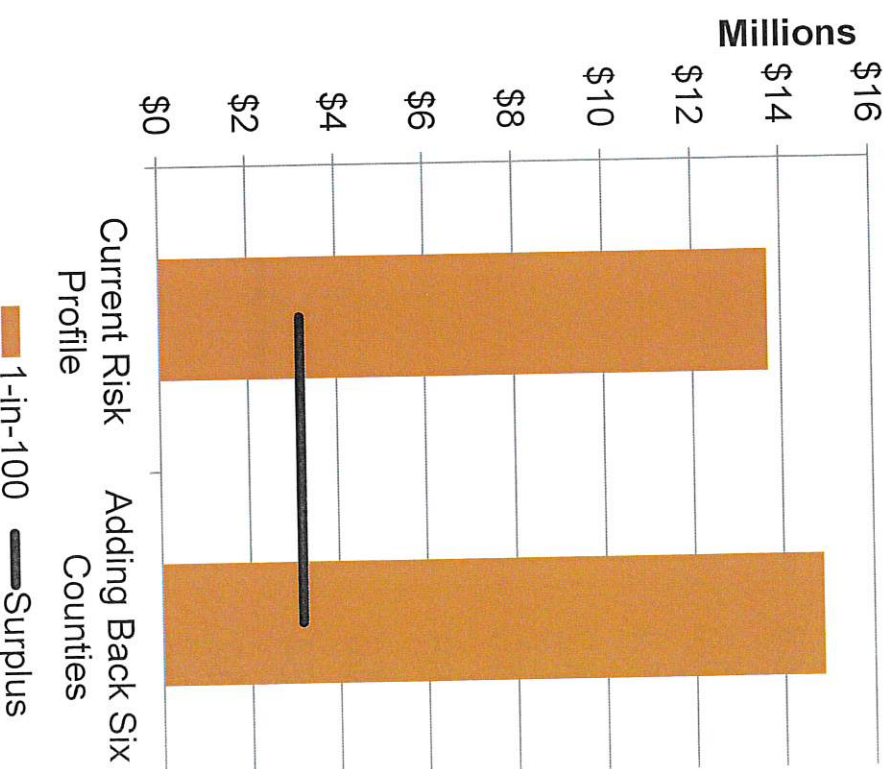


## Alternative Scenarios Change in Retention Levels – Mature State



## Alternative Scenario Growth (Current Retention)

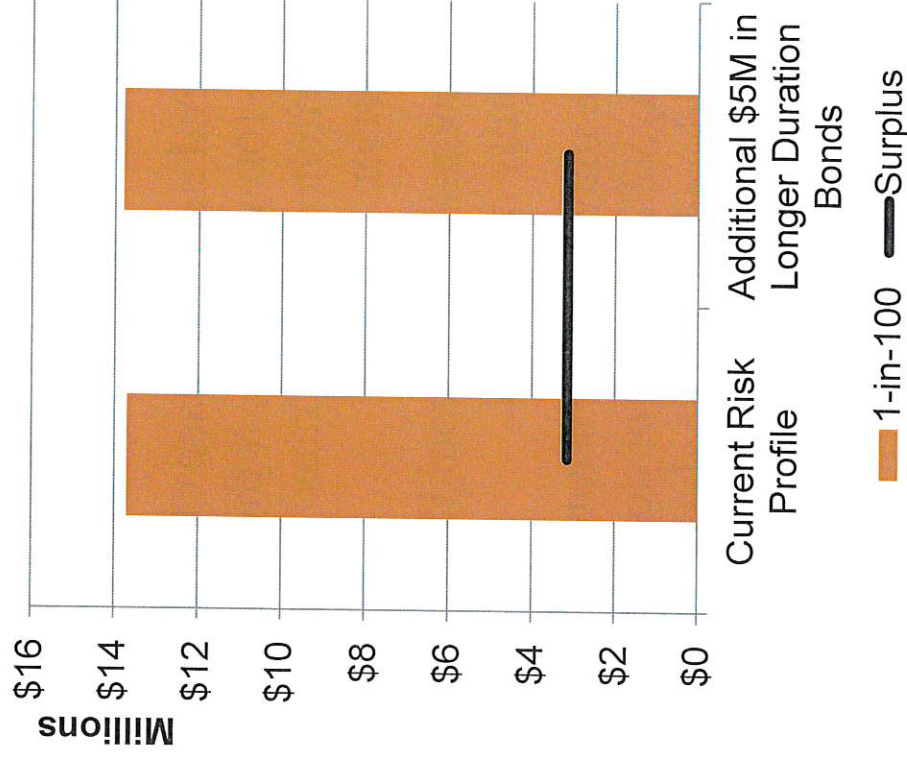
- If the Pool adds back six counties that recently left
- Then a larger program will require higher capital needs
- Then fund need at 1-in-100 year level will increase by \$1.2M, in the first year
- The Pool size will increase by 49%, but the fund need will only increase by 9%, in the first year
- Over time, the fund need would increase gradually





## Alternative Scenario Longer Duration Bonds

- Current Asset allocation:
  - PTIF - \$8.7m (fairly liquid)
  - Zion - \$1.8m (average duration: 2.8 years)
- If the Pool invests additional \$5 million in longer duration bonds (5 year average duration)
- Minimal impact on the fund need due to amount of investment and diversification
- Higher investment earnings



## Alternative Scenario

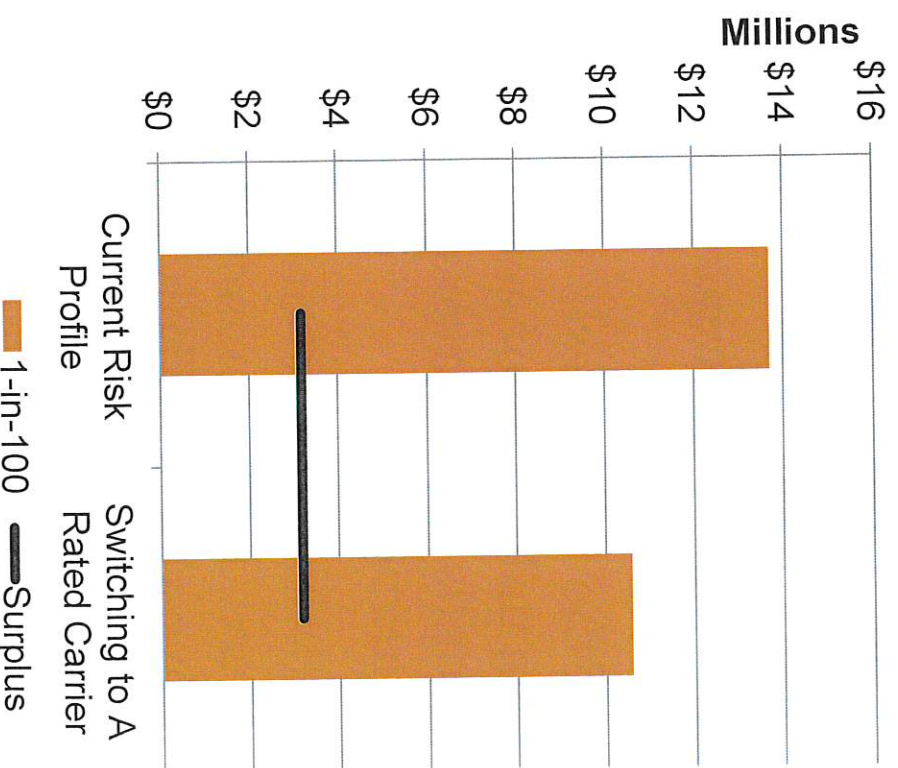
### Alternative Strategy with CRL

CRL is not heavily capitalized nor is it rated

- Fund need decrease of \$3.1M at 1-in-100 year level, if the Pool switches to an A rated reinsurance carrier
- Assumes UCIP would also move equity out of CRL

There may be other strategic reasons to stay with a “pool of pools” not considered in this analysis

- Coverages offered
- Commitment to pools



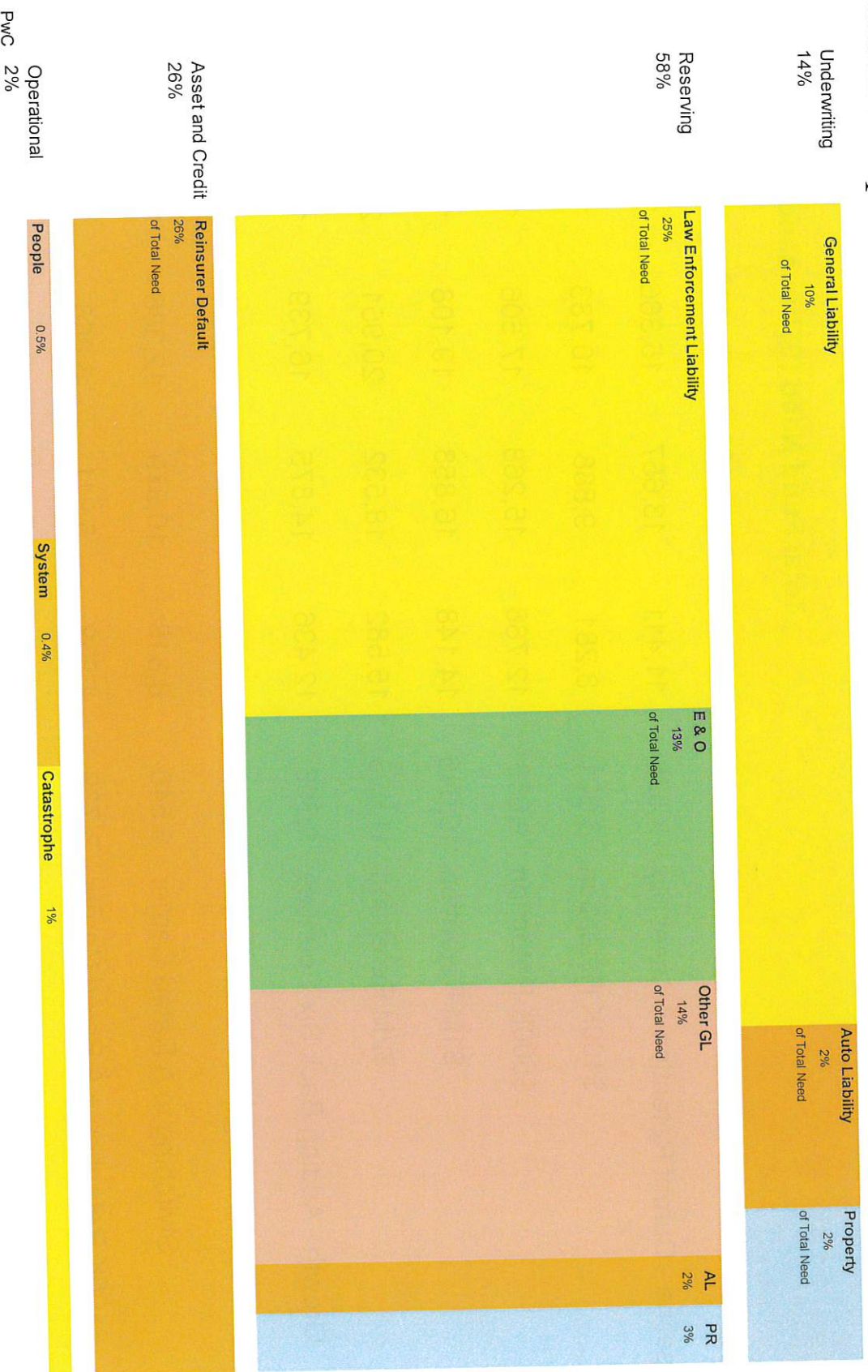


## Summary of Alternative Scenarios

Scenario	Total Fund Need (\$Thousands)				
	1-in-20	1-in-50	1-in-100	1-in-200	1-in-250
Baseline - Current Retention & Asset Mix	8,536	11,411	13,657	15,366	15,938
\$100K Retention	6,301	8,281	9,888	10,783	11,068
\$500K Retention	9,656	12,788	15,268	17,506	18,039
\$1M Retention	10,616	14,148	16,858	19,108	19,965
\$2M Retention	11,498	15,582	18,532	20,951	21,778
Growth - Adding Back Six Counties	9,306	12,436	14,875	16,739	17,393
Additional \$5M in Longer Duration Bonds	8,634	11,509	13,789	15,517	16,092
Switching to A Rated Carrier	6,540	8,818	10,579	12,336	12,925
\$100K Retention + A Rated Carrier	3,739	4,939	5,911	6,866	7,172
					8,073

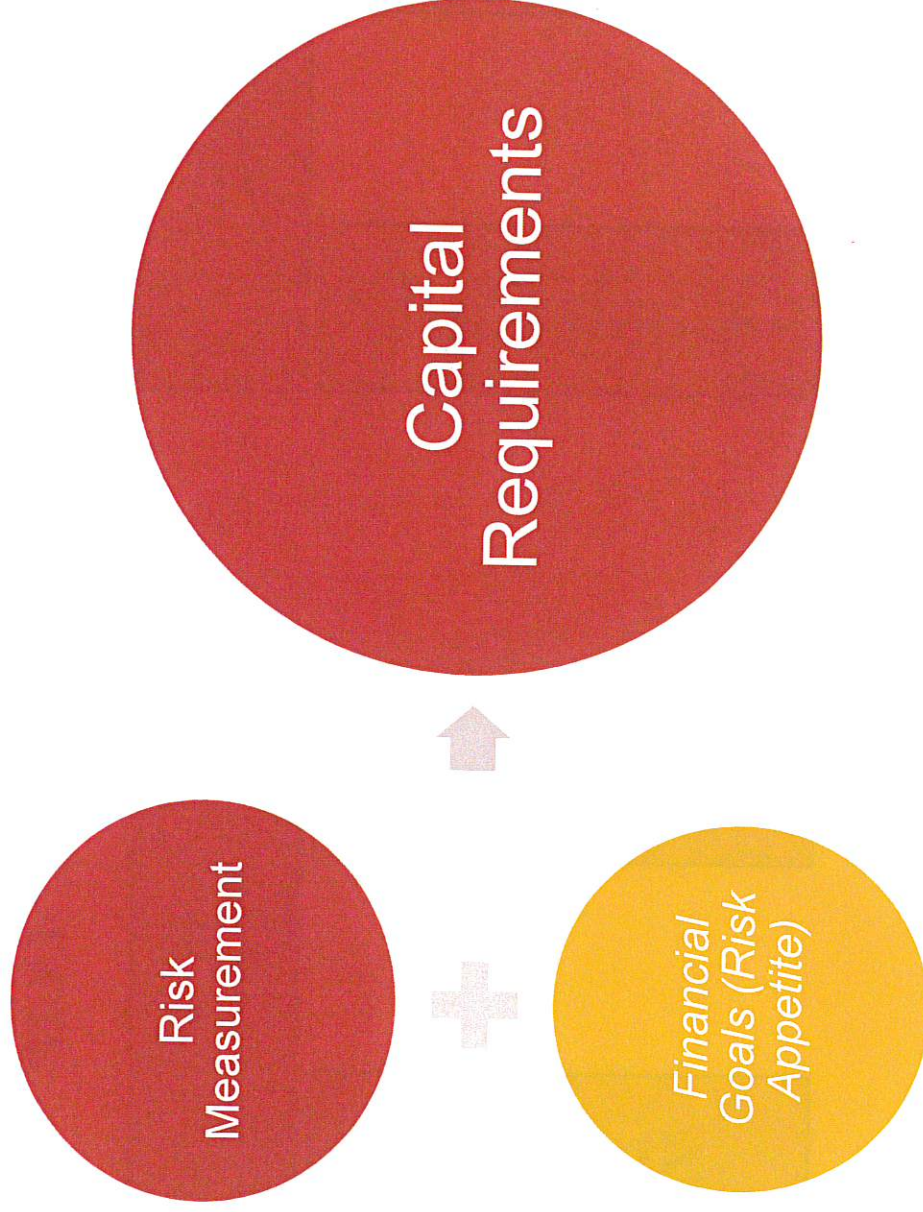
# Heatmap – Composition of Capital Need

The heatmap shows the sources of capital need at 1-in-100 level:



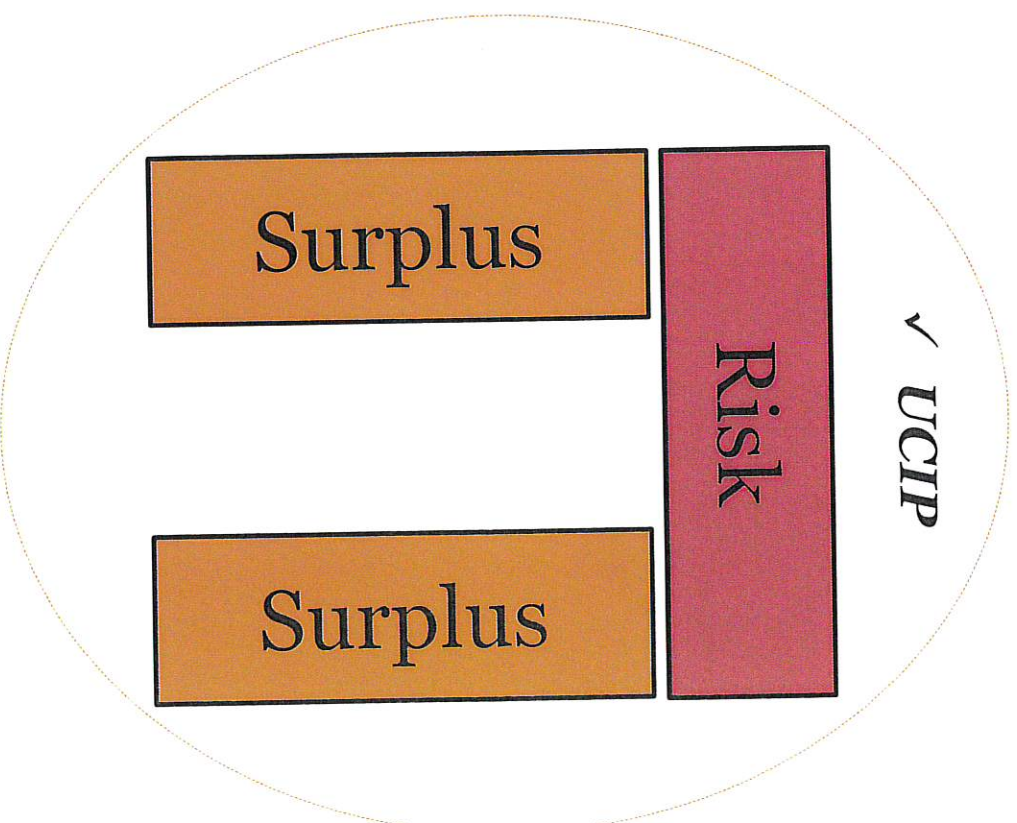
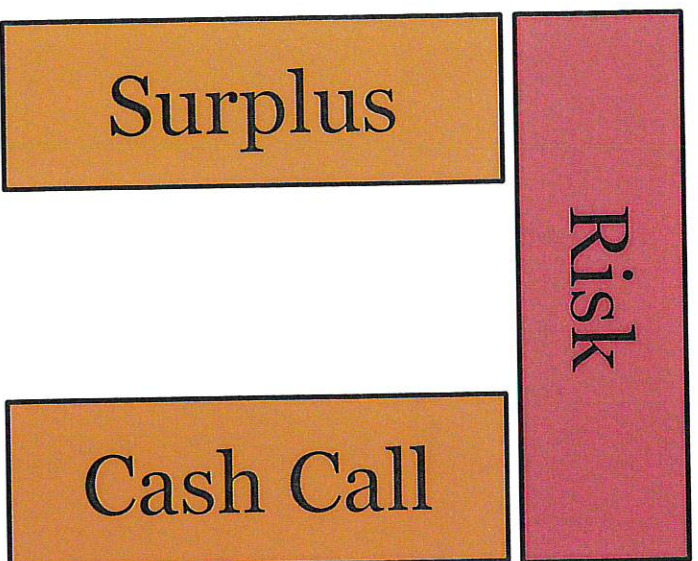


## *Determining Capital Targets*



# Financial Goals

August 18, 2016





## Context for Risk Appetite

*What is the insurance industry context where a cash call is not an option?*

### Rating Agencies

- Secure rating (B+) - roughly between 1-in-100 and 1-in-250, though not specified by agencies

### Global Insurance Regulation

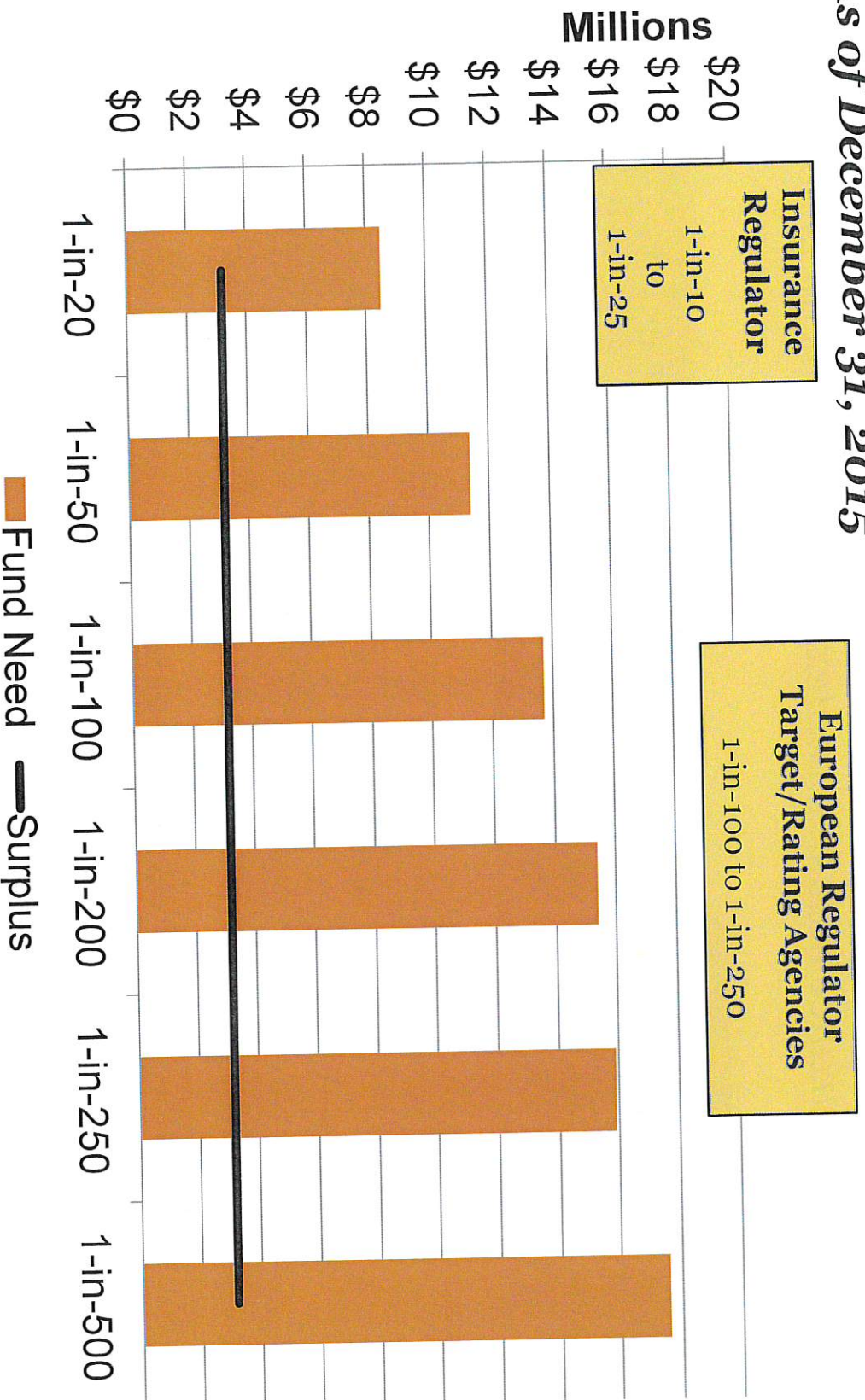
- European and other developed countries set the “target” capital level at 1-in-200

### NAIC (US Regulator)

- “Minimum” capital requirement based on RBC formula – per an independent study, the formula represents 1-in-10 to 1-in-25 level



# *Perspective on various “industry” thresholds As of December 31, 2015*



## *Is the “insurance industry” the right context?*

*There may be rationale for going above and beyond the insurance industry target, for pools:*

Pools do not “manage” their books (not renewing risks with worse loss experience), while insurance companies exercise this annually

One of the main goals for pooling is rate stability, while insurance companies’ main goal is to generate profit

Public insurance companies have different sources to raise capital from, while pools do not

Guaranty funds often provide a secondary level of protection for policyholders if the insurer fails whereas pool members do not have such protection

Members often depend on pools for services beyond the insurance mechanism



## *Developing a Target Surplus Policy*

### Workable

- Target minimum and maximum levels defined
- Range sufficiently wide to facilitate rate stability

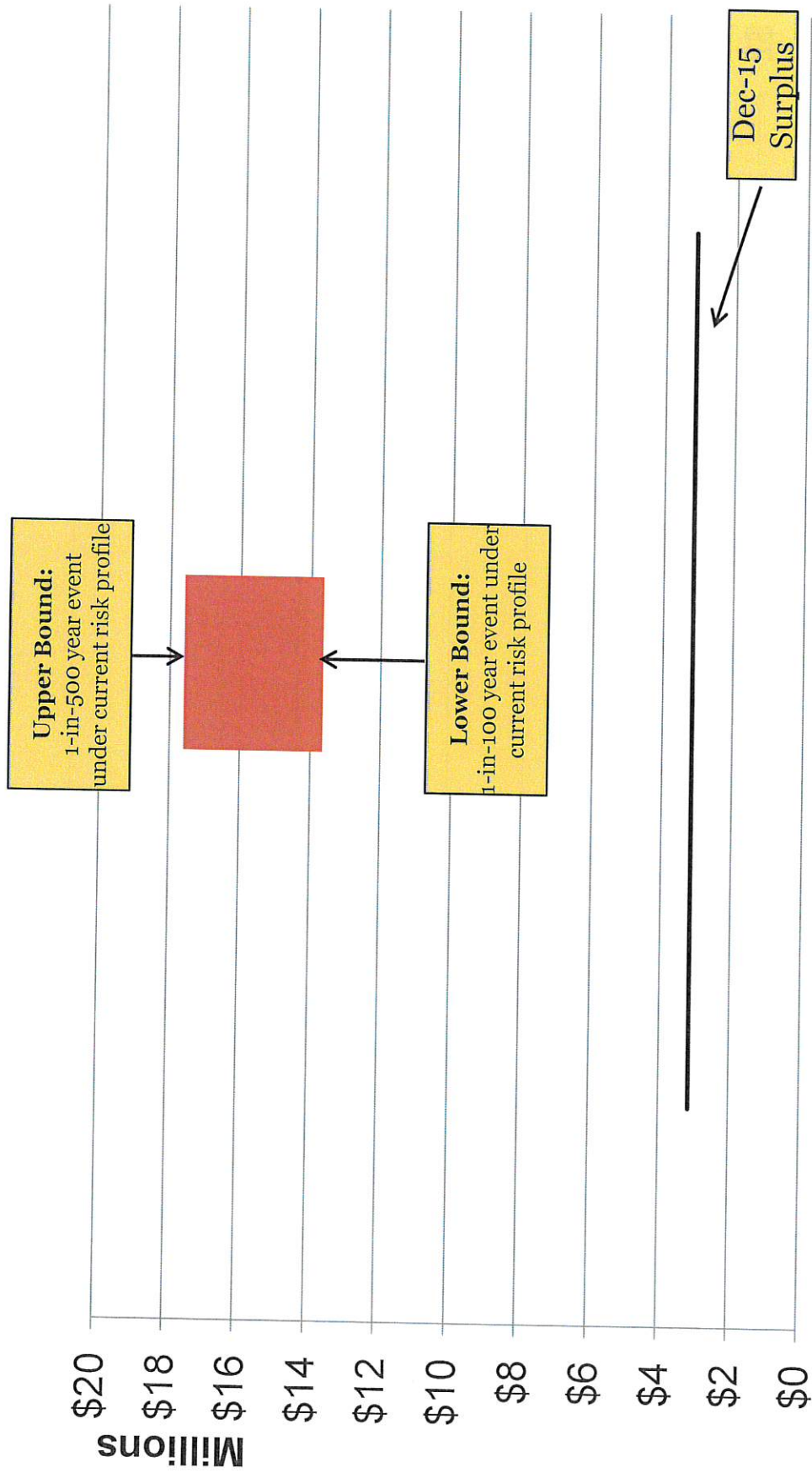
### Prospective

- Consider current and potential risk profiles
- Market conditions may force higher retentions, program growth, etc.

### Balanced

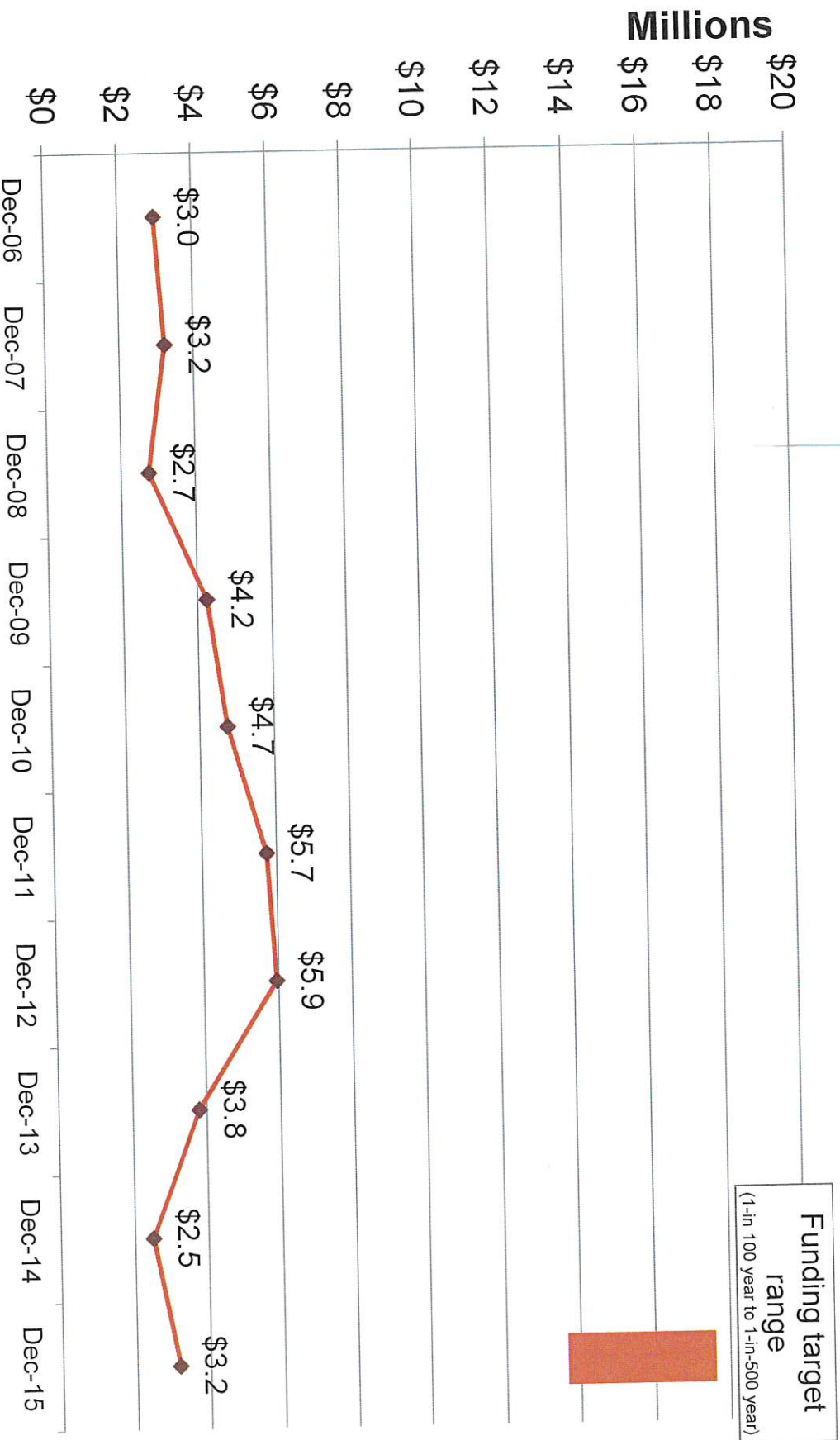
- Members have other financial demands beyond insurance
- Inadequate funding can put the funding of the other demands at risk

# Illustrative Funding Target Range





# Historical Perspective



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By The Numbers

Draft Issued 8/8/16

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# UTAH COUNTIES INDEMNITY POOL

## ACTUARIAL REPORT

### Premium Indication 1/1-12/31/17

8/8/16



## FINDINGS

The findings are the product of loss experience, actuarial assumptions, quantitative analysis, and professional judgment. The estimates are expressed in terms of ranges that indicate the reliance on assumptions believed to be reasonable and are subject to all the limitations expressed herein.

### INDICATED PREMIUM NEED

The indicated premium for 1/1-12/31/17 on an undiscounted and discounted for investment income basis is shown below. UCIP provided the discount rate of 1.0%. BYNAC has reviewed this rate compared to the interest rate on three and five year U.S. Treasury bonds as provided by the Board of Governors of the Federal Reserve Selected Interest Rates (Daily) on 8/1/16 and finds it reasonable.

#### INDICATED PREMIUM FOR 1/1-12/31/17

	Undiscounted for Investment Income					
	30%	Expected	70%	80%	90%	95%
Indicated Premium	\$5,550,000	\$5,810,000	\$6,020,000	\$6,180,000	\$6,410,000	\$6,610,000
Estimated Premium	6,045,732					
Premium Indication	- 8.2%	- 3.9%	- 0.4%	+ 2.2%	+ 6.0%	+ 9.3%
	Discounted for Investment Income at 1.0% per Annum					
	30%	Expected	70%	80%	90%	95%
Indicated Premium	\$5,470,000	\$5,720,000	\$5,920,000	\$6,080,000	\$6,300,000	\$6,500,000
Estimated Premium	6,045,732					
Premium Indication	- 9.5%	- 5.4%	- 2.1%	+ 0.6%	+ 4.2%	+ 7.5%

The low and high figures shown are judgmental and are not intended to establish absolute minimums or maximums on the estimates, but rather to depict a reasonable range for the establishment of premium in this particular situation. The indicated premium is the amount that



UCIP needs to collect from its members to cover expected losses and expenses. The estimated premium is based on the premium UCIP expects to collect for 1/1-12/31/17.

## COMPARISON TO PRIOR REPORT

The loss projections in this report are compared to the 10/1/15 actuarial report in the following table.

COMPARISON OF LOSS PROJECTIONS TO PRIOR REPORT

Coverage	Report	Pure Loss Rate	Exposure	Projected Losses
General Liability	Current	\$4.20	\$ 506,595 ^	\$ 2,130,000
	Prior	4.20	494,168	2,080,000
	Change	0.0%	+ 2.5%	+ 2.4%
Auto Liability	Current	\$ 70	3,208 *	\$ 220,000
	Prior	75	3,136	240,000
	Change	- 6.7%	+ 2.3%	- 8.3%
Property	Current	\$0.0500	\$17,678,906 ~	\$ 880,000
	Prior	0.0450	16,241,062	730,000
	Change	+11.1%	+ 8.9%	+20.5%
Total	Current	-----	-----	\$ 3,230,000
	Prior	-----	-----	3,050,000
	Change	+ 2.1%	+ 3.7%	+ 5.9%

^ Expenditures (1,000).

\* Vehicles.

~ Insured value (100).

General liability loss rates have leveled out in total with increases in errors and omissions being offset by decreases in law enforcement and other liability. The projected loss rate for auto liability decreased again due to favorable experience in the 1/1-12/31/15 period. The projected property loss rate has increased again due to experience in 1/1-12/31/15. Overall, the total loss projection is a 5.9% increase compared to last year due to a 2.1% increase in experience and a 3.7% increase in exposure.

Table 1

## UTAH COUNTIES INDEMNITY POOL

## LAW ENFORCEMENT LIABILITY

## ESTIMATED ULTIMATE INCURRED LOSSES

## INCURRED LOSS DEVELOPMENT

(Losses Including ALAE Net of Recoveries)

## A. LOSSES LIMITED TO \$250,000

Policy Period	Incurred Losses as of 6/30/16	Number of Claims in Excess of \$250,000	Incurred Losses in Excess of \$250,000	Limited Incurred Losses as of 6/30/16
1/1-12/31/11	\$ 883,200	1	\$ 6,059	\$ 877,141
1/1-12/31/12	961,651	1	100,000	861,651
1/1-12/31/13	323,448	0	0	323,448
1/1-12/31/14	734,648	0	0	734,648
1/1-12/31/15	260,203	0	0	260,203
Total	\$3,163,150	2	\$ 106,059	\$3,057,091

## B. ESTIMATED ULTIMATE INCURRED LOSSES

Policy Period	Limited Incurred Losses as of 6/30/16	Age of Policy Period in Months	Incurred Loss Development Factor*	Estimated Ultimate Incurred Losses
1/1-12/31/11	\$ 877,141	66.0	1.145	\$ 968,076 ^
1/1-12/31/12	861,651	54.0	1.282	1,034,137 ^
1/1-12/31/13	323,448	42.0	1.611	521,075
1/1-12/31/14	734,648	30.0	2.167	1,571,107 ~
1/1-12/31/15	260,203	18.0	3.606	938,292
Total	\$3,057,091			\$5,032,687

\* Based on Section C of Table 1 of the 4/25/16 actuarial report.

^ Did not develop claims in excess of retention due to their large size relative to total losses.

~ Did not develop claim #WEB0005122015 beyond retention.

Table 5

**UTAH COUNTIES INDEMNITY POOL****LAW ENFORCEMENT LIABILITY****SELECTED ESTIMATED ULTIMATE INCURRED LOSSES**

(Losses Including ALAE Limited to \$250,000)

Policy Period	Incurred Loss Development Method	Paid Loss Development Method	Incurred Bornhuetter- Ferguson Method	Paid Bornhuetter- Ferguson Method	Selected Estimated Ultimate Incurred Losses
1/1-12/31/11	\$ 968,076	\$ 809,875 *	\$ 995,829	\$ 907,721	\$ 981,953 ~
1/1-12/31/12	1,034,137	1,030,212	1,114,514	1,143,089	1,074,326 ~
1/1-12/31/13	521,075	755,722	573,343	694,959	547,209 ~
1/1-12/31/14	1,571,107	1,246,677	1,599,896	1,592,115	1,585,502 ~
1/1-12/31/15	938,292	104,515 *	935,690	897,809	935,690 &
Total	\$5,032,687	\$3,947,001	\$5,219,272	\$5,235,693	\$5,124,680

\* Less than incurred losses.

~ Selected the average of the incurred methods.

&amp; Selected the incurred Bornhuetter-Ferguson method.

Table 17

## UTAH COUNTIES INDEMNITY POOL

## GENERAL LIABILITY INCLUDING EO AND LE

PROJECTED LOSSES FOR 1/1-12/31/17  
(Losses Including ALAE Limited to \$250,000)

## A. PURE LOSS RATES

Policy Period	Adjusted Losses	Adjusted Expenditures (\$1,000s)	Pure Loss Rate per \$1,000 Expenditures
1/1-12/31/11	\$ 2,248,068	\$ 799,596	\$2.81
1/1-12/31/12	2,705,083	854,957	3.16
1/1-12/31/13	2,483,807	645,353	3.85
1/1-12/31/14	2,533,280	512,777	4.94
1/1-12/31/15	2,306,398	484,832	4.76
Total	\$12,276,636	\$3,297,515	
		Average	\$3.90
		Wtd Average	3.72
		3 Yr Average	4.52
		5 Yr Mid Average	3.92
		Prior*	4.20
		Selected^	4.20

## B. PROJECTED LOSSES

Policy Period	Selected Pure Loss Rate	Projected Expenditures (\$1,000s)	Projected Losses
1/1-12/31/17	\$4.20	\$ 506,595 #	\$2,130,000

\* 1/1-12/31/16 level.

^ Selected the average of the 3 year average and 5 yr mid average.

# Provided by UCIP.



Figure 4

**UTAH COUNTIES INDEMNITY POOL****GENERAL LIABILITY INCLUDING EO AND LE**

**PURE LOSS RATES ADJUSTED TO A 1/1-12/31/17 LEVEL**  
 (Losses Including ALAE Limited to \$250,000 Retention)

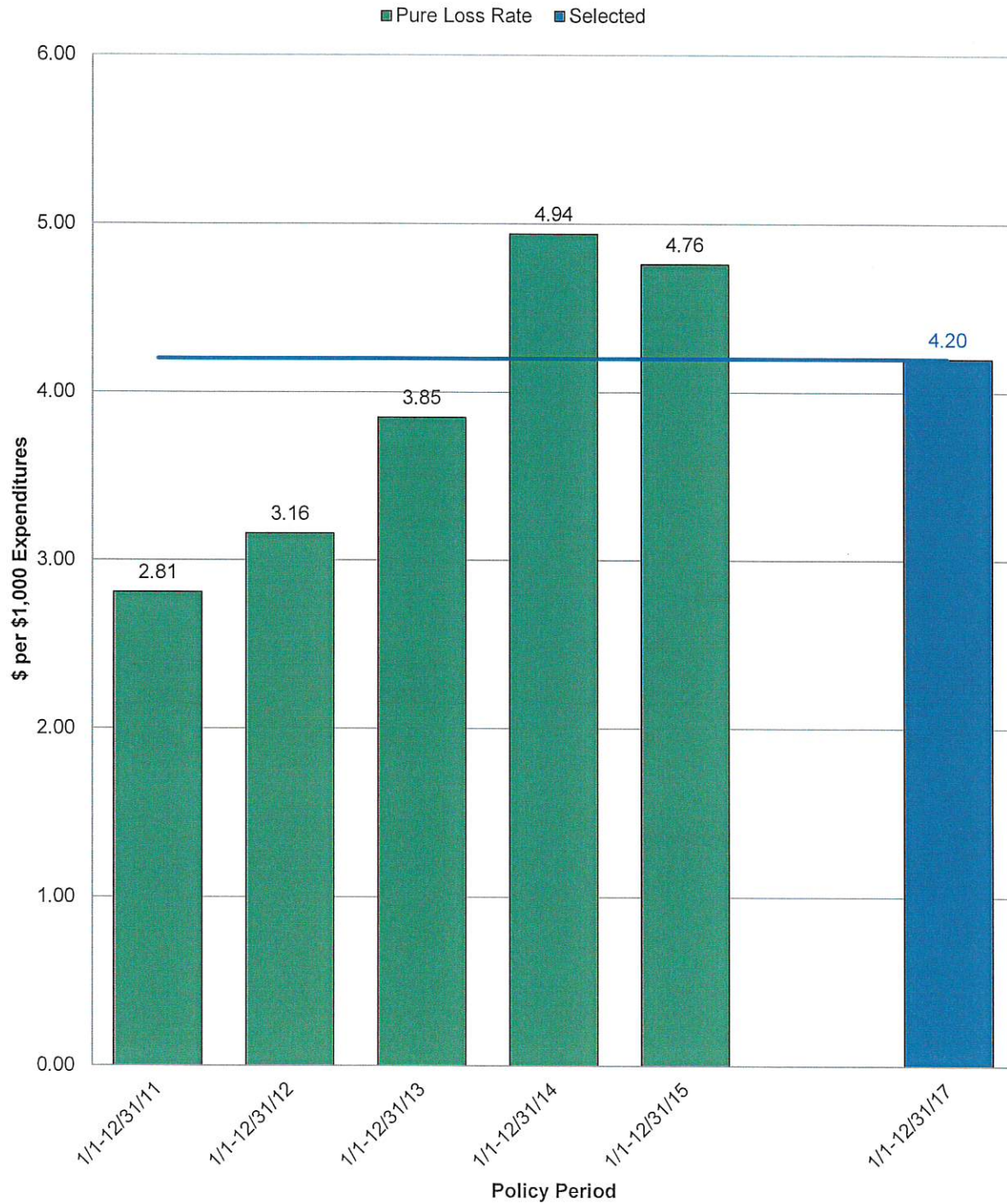


Table 24

## UTAH COUNTIES INDEMNITY POOL

## AUTO LIABILITY

PROJECTED LOSSES FOR 1/1-12/31/17  
(Losses Including ALAE Limited to \$250,000)

## A. PURE LOSS RATES

Policy Period	Adjusted Losses	Vehicles	Pure Loss Rate per Vehicle
1/1-12/31/11	\$ 370,322	4,159	\$ 89
1/1-12/31/12	171,389	4,202	41
1/1-12/31/13	444,860	3,503	127
1/1-12/31/14	153,105	3,205	48
1/1-12/31/15	124,663	3,101	40
Total	\$1,264,339	18,170	
		Average	\$ 69
		Wtd Average	70
		3 Yr Average	72
		5 Yr Mid Average	59
		Prior*	75
		Selected^	70

## B. PROJECTED LOSSES

Policy Period	Selected Pure Loss Rate	Projected Vehicles	Projected Losses
1/1-12/31/17	\$ 70	3,208 #	\$ 220,000

\* 1/1-12/31/16 level.

^ Selected the weighted average.

# Provided by UCIP.

Figure 6

**UTAH COUNTIES INDEMNITY POOL****AUTO LIABILITY**

**PURE LOSS RATES ADJUSTED TO A 1/1-12/31/17 LEVEL**  
(Losses Including ALAE Limited to \$250,000 Retention)

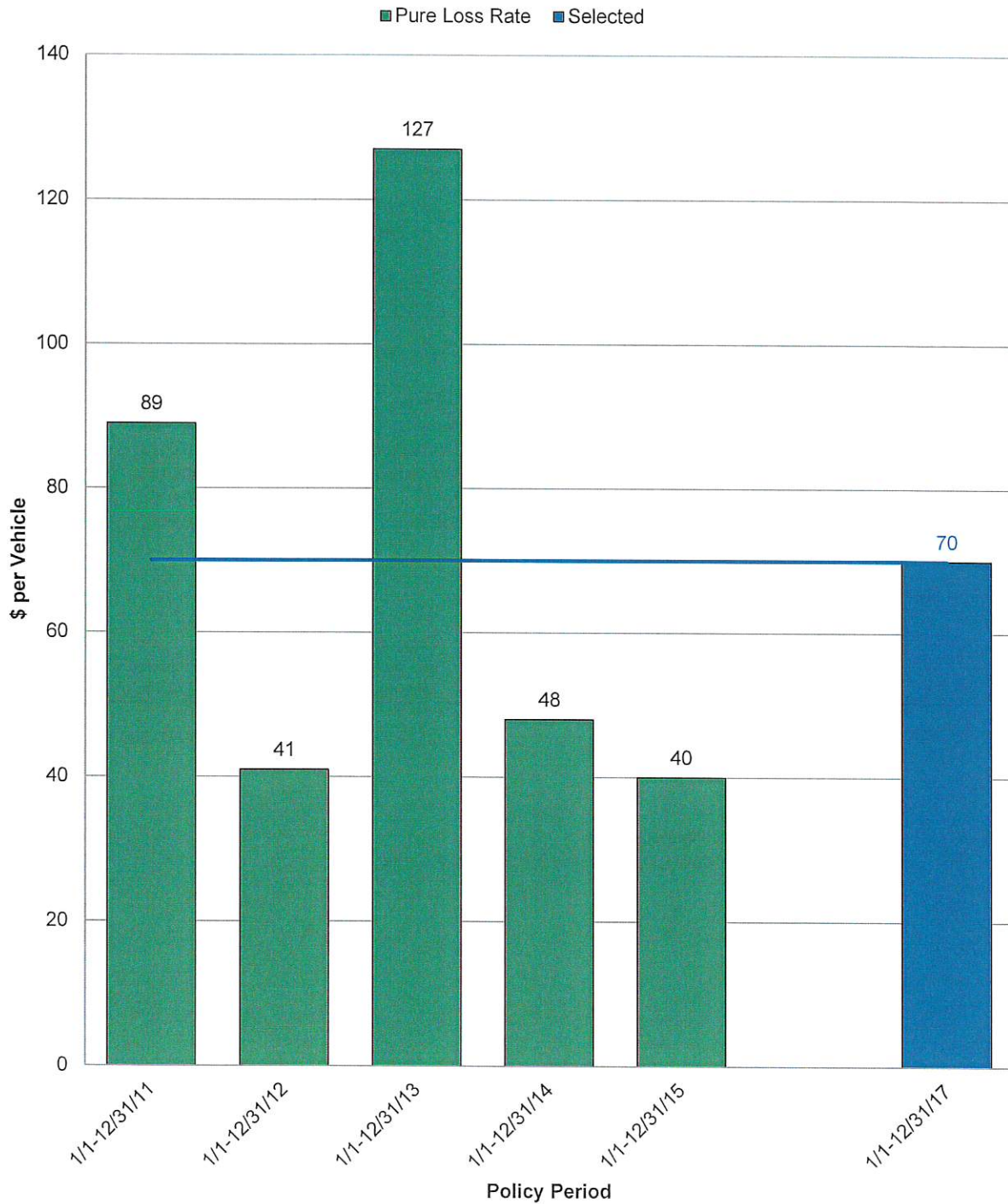




Table 29

## UTAH COUNTIES INDEMNITY POOL

## PROPERTY

PROJECTED LOSSES FOR 1/1-12/31/17  
(Losses Including ALAE Limited to \$250,000)

## A. PURE LOSS RATES

Policy Period	Adjusted Losses	Adjusted Insured Value (\$100s)	Pure Loss Rate per \$100 Ins. Value
1/1-12/31/11	\$ 541,794	\$17,847,884	\$0.0304
1/1-12/31/12	917,594	18,264,412	0.0502
1/1-12/31/13	559,816	15,731,651	0.0356
1/1-12/31/14	1,234,999	14,284,881	0.0865
1/1-12/31/15	718,221	14,031,250	0.0512
Total	\$3,972,424	\$80,160,078	
		Average	\$0.0508
		Wtd Average	0.0496
		3 Yr Average	0.0578
		5 Yr Mid Average	0.0457
		Prior*	0.0450
		Selected^	0.0500

## B. PROJECTED LOSSES

Policy Period	Selected Pure Loss Rate	Projected Ins. Value (\$100s)	Projected Losses
1/1-12/31/17	\$0.0500	\$17,678,906 #	\$ 880,000

\* 1/1-12/31/16 level.

^ Selected the weighted average.

# Provided by UCIP including Davis County building and contents.

Figure 8

**UTAH COUNTIES INDEMNITY POOL****PROPERTY**

**PURE LOSS RATES ADJUSTED TO A 1/1-12/31/17 LEVEL**  
 (Limited to \$250,000 Excluding Davis County Building and Contents)

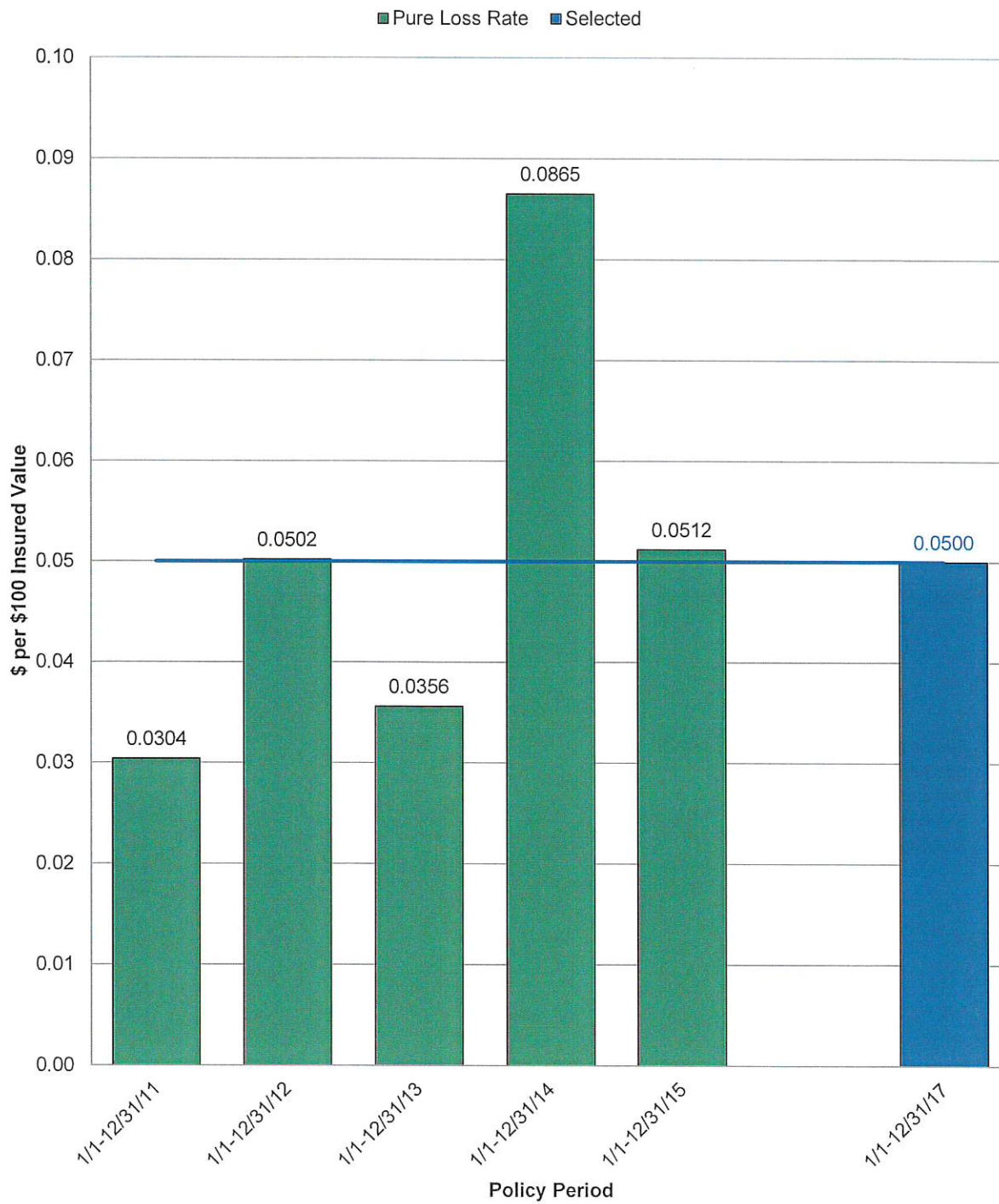


Table 30

## UTAH COUNTIES INDEMNITY POOL

## ALL COVERAGES

## PREMIUM INDICATION FOR 1/1-12/31/17 BY COVERAGE

(Gross of Deductible)

		General Liability	Automobile Liability	Property	Total
A.	LOSS PROJECTION*	\$2,130,000	\$ 220,000	\$ 880,000	\$3,230,000
B.	FIXED EXPENSES**	\$1,650,000	\$ 170,000	\$ 760,000	\$2,580,000
C.	INDICATED PREMIUM UNDISCOUNTED A + B	\$3,780,000	\$ 390,000	\$1,640,000	\$5,810,000
D.	CURRENT PREMIUM#				\$6,045,732
E.	UNDISCOUNTED PREMIUM INDICATION C/D - 1				- 3.9%
F.	LOSS PRESENT VALUE FACTOR##	0.961	0.988	0.993	0.972
G.	PREMIUM PRESENT VALUE FACTOR^ 1.000				
H.	INDICATED PREMIUM DISC. AT 1.0% PER ANNUM [A x F + B]/G	\$3,700,000	\$ 390,000	\$1,630,000	\$5,720,000
I.	DISC. PREMIUM INDICATION AT 1.0% PER ANNUM H/D - 1				- 5.4%

\* See Section B of Tables 17, 24, and 29.

\*\* See Appendix B, Exhibit III.

# Provided by UCIP.

## See Appendix B, Exhibit IV.

^ See Appendix B, Exhibit V.



Table 31

## UTAH COUNTIES INDEMNITY POOL

## ALL COVERAGES

PREMIUM INDICATION FOR 1/1-12/31/17 BY CONFIDENCE LEVEL  
(Gross of Deductible)

			Confidence Level					
			30%	Expected	70%	80%	90%	95%
A.	LOSS PROJECTION*		\$2,970,000	\$3,230,000	\$3,440,000	\$3,600,000	\$3,830,000	\$4,030,000
B.	FIXED EXPENSES**	\$2,580,000						
C.	INDICATED UNDISCOUNTED PREMIUM A + B		\$5,550,000	\$5,810,000	\$6,020,000	\$6,180,000	\$6,410,000	\$6,610,000
D.	CURRENT PREMIUM#	\$6,045,732						
E.	UNDISCOUNTED PREMIUM INDICATION C/D - 1		- 8.2%	- 3.9%	- 0.4%	+ 2.2%	+ 6.0%	+ 9.3%
F.	LOSS PRESENT VALUE FACTOR	0.972						
G.	PREMIUM PRESENT VALUE FACTOR	1.000						
H.	INDICATED PREMIUM DISC. AT 1.0% PER ANNUM [A x F + B]/G		\$5,470,000	\$5,720,000	\$5,920,000	\$6,080,000	\$6,300,000	\$6,500,000
I.	DISC. PREMIUM INDICATION AT 1.0% PER ANNUM H/D - 1		- 9.5%	- 5.4%	- 2.1%	+ 0.6%	+ 4.2%	+ 7.5%

\* See Appendix B, Exhibit VI.

\*\* See Appendix B, Exhibit III.

# Provided by UCIP.

## Appendix B, Exhibit III

## UTAH COUNTIES INDEMNITY POOL

## ALL COVERAGES

## ESTIMATED EXPENSES FOR 1/1-12/31/17

Expense	General Liability	Automobile Liability	Property	Total	Percent of Premium
Reinsurance*	\$1,042,300	\$ 107,700	\$ 482,000	\$1,632,000	27.0%
Other Fixed Expenses*	607,300	62,700	281,000	951,000	15.7%
Fixed Expenses	\$1,649,600	\$ 170,400	\$ 763,000	\$2,583,000	42.7%

\* Provided by UCIP. Liability allocation based on projected losses.

Table 7

## UTAH COUNTIES INDEMNITY POOL

## LAW ENFORCEMENT LIABILITY

PROJECTED LOSSES FOR 1/1-12/31/17  
(Losses Including ALAE Limited to \$250,000)

## A. PURE LOSS RATES

Policy Period	Adjusted Losses	Adjusted Number of Officers	Pure Loss Rate per Officer
1/1-12/31/11	\$1,112,973	1,757	\$ 633
1/1-12/31/12	1,195,502	1,735	689
1/1-12/31/13	610,685	1,338	456
1/1-12/31/14	1,728,197	1,293	1,337
1/1-12/31/15	992,767	1,256	790
Total	\$5,640,124	7,379	
		Average	\$ 781
		Wtd Average	764
		3 Yr Average	861
		5 Yr Mid Average	704
		Selected <sup>^</sup>	\$ 760

## B. PROJECTED LOSSES

Policy Period	Selected Pure Loss Rate	Projected Number of Officers	Projected Losses
1/1-12/31/17	\$760	1,273 #	\$ 970,000

<sup>^</sup> Selected the weighted average.

# Provided by UCIP.



Figure 2

**UTAH COUNTIES INDEMNITY POOL****LAW ENFORCEMENT LIABILITY****PURE LOSS RATES ADJUSTED TO A 1/1-12/31/17 LEVEL**

(Losses Including ALAE Limited to \$250,000 Retention)

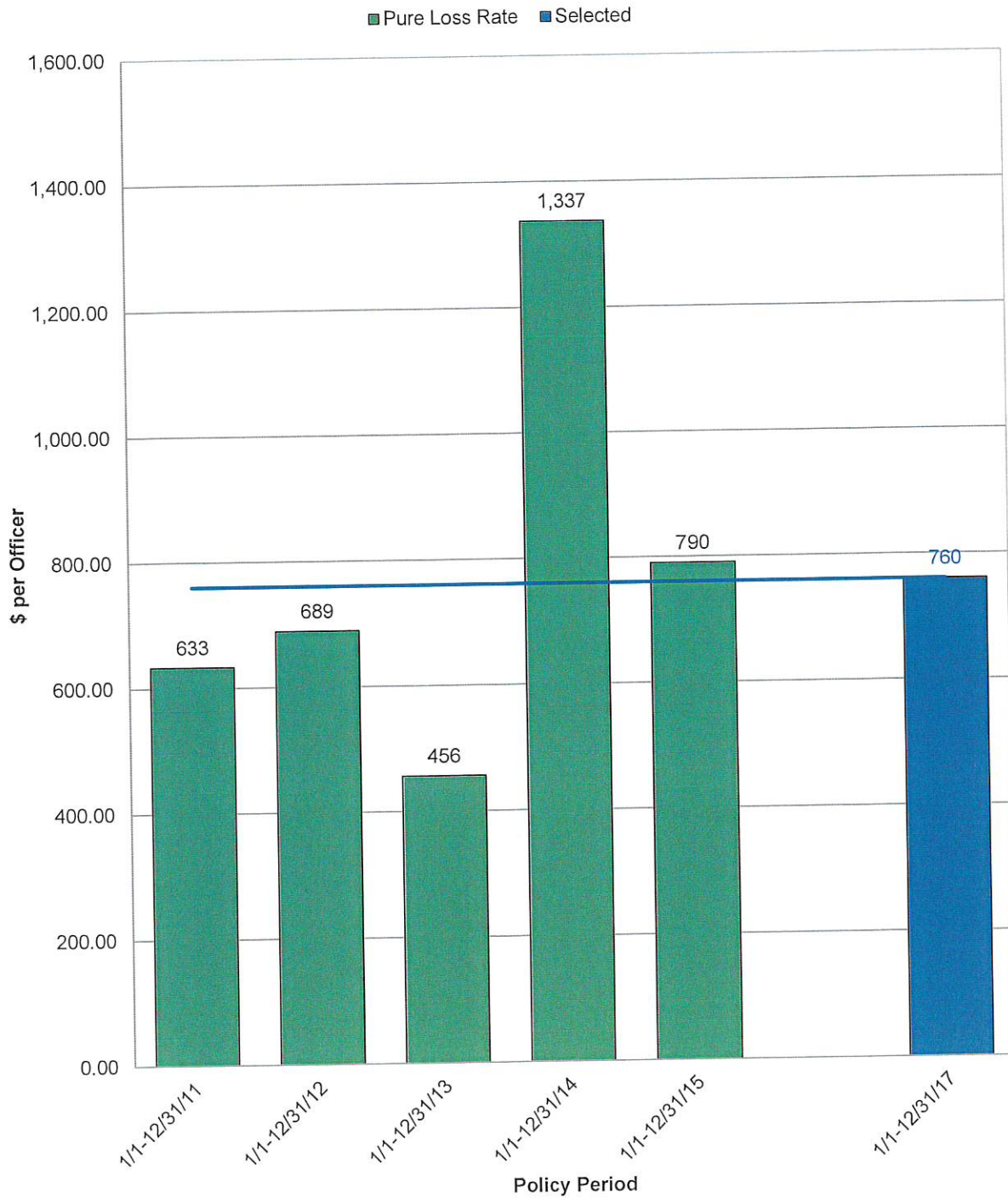


Table 14

## UTAH COUNTIES INDEMNITY POOL

## ERRORS AND OMISSIONS

PROJECTED LOSSES FOR 1/1-12/31/17  
(Losses Including ALAE Limited to \$250,000)

## A. PURE LOSS RATES

Policy Period	Adjusted Losses	Number of Employees	Pure Loss Rate per Employee
1/1-12/31/11	\$ 547,251	7,555	\$ 72
1/1-12/31/12	552,066	7,662	72
1/1-12/31/13	927,294	6,323	147
1/1-12/31/14	442,339	5,456	81
1/1-12/31/15	886,557	5,082	174
Total	\$3,355,507	32,078	
		Average	\$109
		Wtd Average	105
		3 Yr Average	134
		5 Yr Mid Average	100
		Selected^	\$110

## B. PROJECTED LOSSES

Policy Period	Selected Pure Loss Rate	Projected Number of Employees	Projected Losses
1/1-12/31/17	\$110	5,634 #	\$ 620,000

^ Selected the weighted average.

# Provided by UCIP.

Figure 4

## UTAH COUNTIES INDEMNITY POOL

## ERRORS AND OMISSIONS

PURE LOSS RATES ADJUSTED TO A 1/1-12/31/17 LEVEL  
(Losses Including ALAE Limited to \$250,000 Retention)

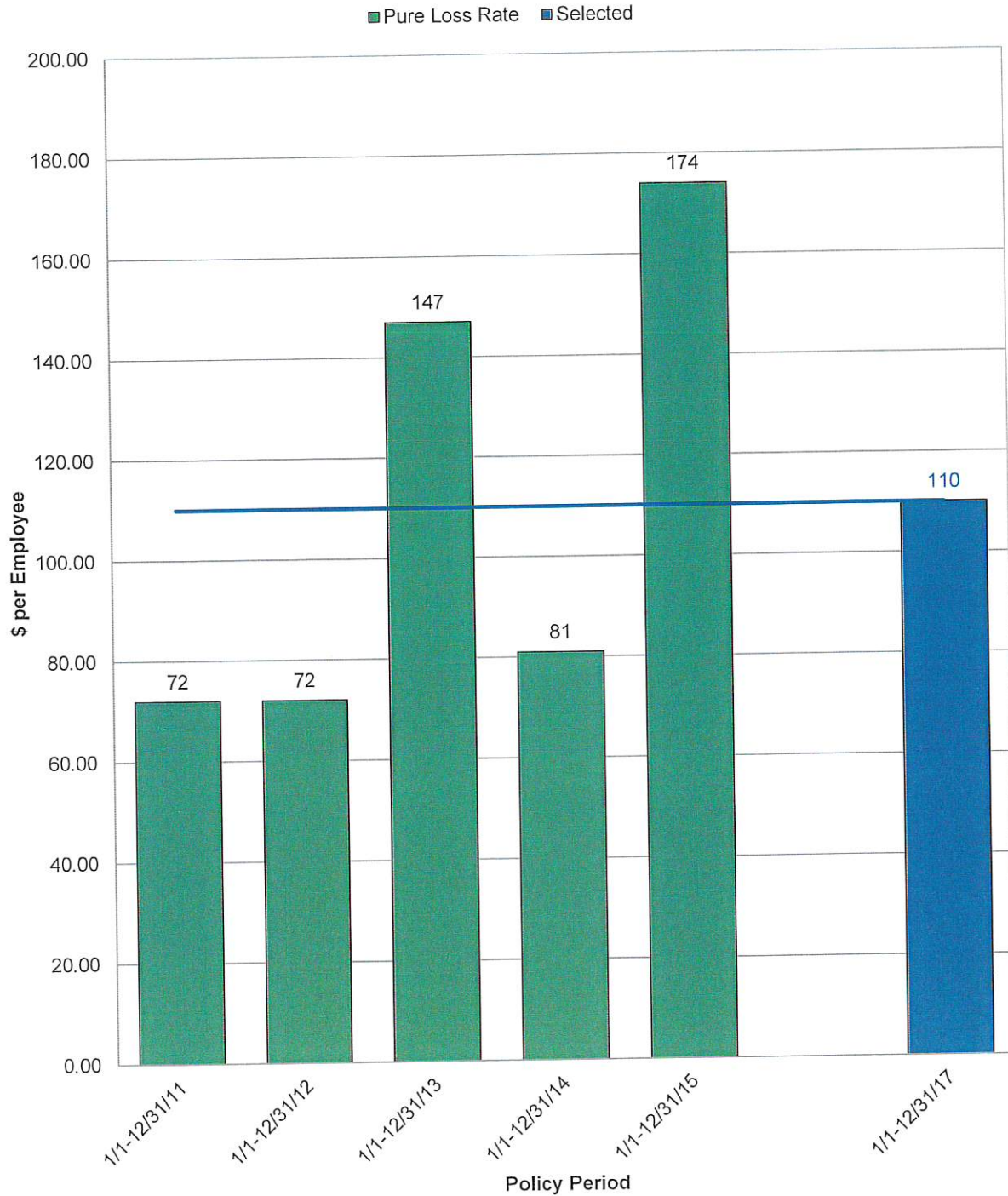




Table 21

**UTAH COUNTIES INDEMNITY POOL**  
**GENERAL LIABILITY EXCLUDING EO AND LE**

**PROJECTED LOSSES FOR 1/1-12/31/17**  
(Losses Including ALAE Limited to \$250,000)

## A. PURE LOSS RATES

<u>Policy Period</u>	<u>Adjusted Losses</u>	<u>Number of Employees</u>	<u>Pure Loss Rate per Employee</u>
1/1-12/31/11	\$ 587,845	7,555	\$ 78
1/1-12/31/12	957,515	7,662	125
1/1-12/31/13	945,828	6,323	150
1/1-12/31/14	362,743	5,456	66
1/1-12/31/15	427,074	5,082	84
Total	\$3,281,005	32,078	
		Average	\$101
		Wtd Average	102
		3 Yr Average	100
		5 Yr Mid Average	96
		Selected <sup>^</sup>	\$100

## B. PROJECTED LOSSES

<u>Policy Period</u>	<u>Selected Pure Loss Rate</u>	<u>Projected Number of Employees</u>	<u>Projected Losses</u>
1/1-12/31/17	\$100	5,634 #	\$ 560,000

<sup>^</sup> Selected the weighted average.

# Provided by UCIP.

Figure 6

**UTAH COUNTIES INDEMNITY POOL****GENERAL LIABILITY EXCLUDING EO AND LE****PURE LOSS RATES ADJUSTED TO A 1/1-12/31/17 LEVEL**

(Losses Including ALAE Limited to \$250,000 Retention)

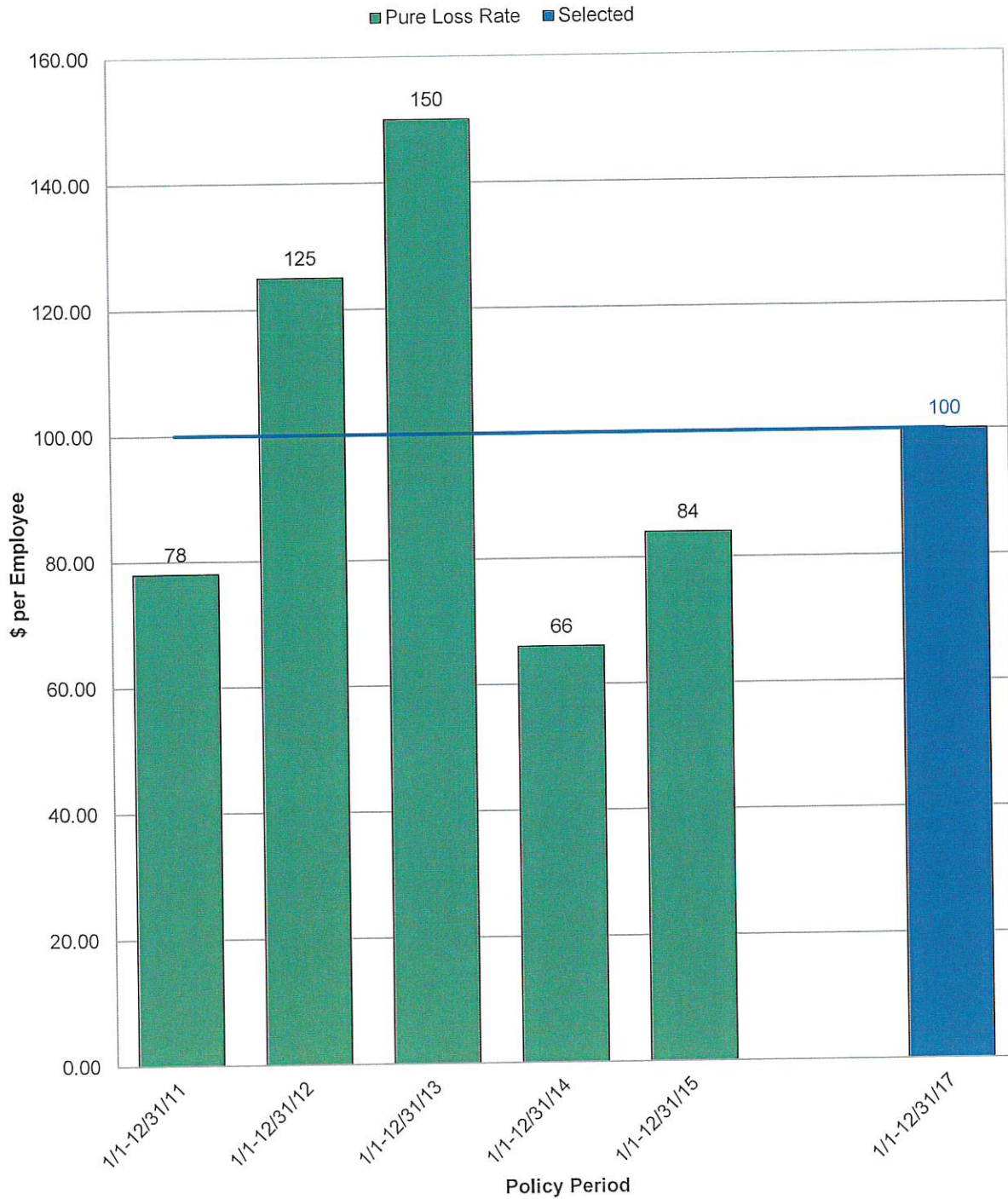


Table 34

## UTAH COUNTIES INDEMNITY POOL

## ALL COVERAGES

## PREMIUM INDICATION FOR 1/1-12/31/17 BY COVERAGE

(Gross of Deductible)

	General Liability	Automobile Liability	Property	Total
A. LOSS PROJECTION*	\$2,150,000	\$ 220,000	\$ 880,000	\$3,250,000
B. FIXED EXPENSES**	\$1,340,000	\$ 480,000	\$ 760,000	\$2,580,000
C. INDICATED PREMIUM UNDISCOUNTED A + B	\$3,490,000	\$ 700,000	\$1,640,000	\$5,830,000
D. CURRENT PREMIUM#				\$6,045,732
E. UNDISCOUNTED PREMIUM INDICATION C/D - 1				- 3.6%
F. LOSS PRESENT VALUE FACTOR##	0.961	0.988	0.993	0.971
G. PREMIUM PRESENT VALUE FACTOR^ 1.000				
H. INDICATED PREMIUM DISC. AT 1.0% PER ANNUM [A x F + B]/G	\$3,410,000	\$ 700,000	\$1,630,000	\$5,740,000
I. DISC. PREMIUM INDICATION AT 1.0% PER ANNUM H/D - 1				- 5.1%

\* See Section B of Tables 7, 14, and 21 for general liability; Table 28 for auto liability; and Table 33 for property.

\*\* See Appendix B, Exhibit III.

# Provided by UCIP.

## See Appendix B, Exhibit IV.

^ See Appendix B, Exhibit V.



## Appendix B, Exhibit III

## UTAH COUNTIES INDEMNITY POOL

## ALL COVERAGES

## ESTIMATED EXPENSES FOR 1/1-12/31/17

Expense	Law Enforcement Liability	Errors and Omissions	General Liability Ex EO and LE	Automobile Liability	Property	Total	Percent of Premium
Reinsurance*	\$ 386,400	\$ 218,700	\$ 131,400	\$ 413,500	\$ 482,000	\$1,632,000	27.0%
Other Fixed Expenses*	274,200	175,300	158,300	62,200	281,000	951,000	15.7%
Fixed Expenses	\$ 660,600	\$ 394,000	\$ 289,700	\$ 475,700	\$ 763,000	\$2,583,000	42.7%

\* Provided by UCIP. Liability allocation based on projected losses for other fixed expenses.

## PROPOSED NEW RATING MODEL

MEMBER	2016 CONTRIBUTION	2017 CONTRIBUTION	PERCENT CHANGE	NOTES	LOSS RATIO
Beaver	140,472	147,495	5%		169%
Box Elder	294,948	303,089	3%		98%
Daggett	66,268	65,605	-1%		81%
Davis	677,183	752,470	11%	12% increase in total insured value.	88%
Duchesne	210,198	231,217	10%	26% increase in total insured value.	156%
Emery	199,894	205,891	3%		61%
Garfield	151,505	157,565	4%		69%
Iron	238,026	254,688	7%		139%
Juab	156,132	153,639	-2%		65%
Kane	186,984	188,854	1%		76%
Millard	209,178	221,206	6%		85%
Morgan	82,060	83,975	2%		341%
Piute	26,895	28,240	5%		53%
Rich	52,334	52,857	1%		121%
San Juan	232,054	237,879	3%		136%
Sanpete	127,016	125,817	-1%		142%
Sevier	205,041	208,251	2%		72%
Uintah	408,004	412,084	1%		83%
Wasatch	266,567	269,233	1%		237%
Washington	474,291	469,548	-1%		148%
Wayne	70,355	69,652	-1%		60%
Weber	877,216	973,709	11%	14% increase in total insured value.	127%
UCIP	7,949	7,951	0%		
CHD	31,313	31,015	-1%		
SEHD	24,906	23,215	-7%		
SWHD	53,272	52,371	-2%		
TCHD	25,836	23,720	-8%		
WHD	16,982	16,982	0%		
WMHD	64,243	64,243	0%		
WCIA	59,025	64,011	8%		
SAJT	1,228	1,228	0%		
WHS	45,923	48,142	5%		
SCIC	12,066	12,066	0%		
CID	1,980	1,980	0%		
KRT	1,397	1,397	0%		
BERDA	31,274	32,838	5%		
FCAOG	35,730	36,941	3%		
WCPR	25,619	25,619	0%		
WCSSA	7,392	7,392	0%		
WCSW	25,120	27,381	9%		
WCML	0	5,976			
<b>Totals:</b>	<b>\$5,823,876</b>	<b>\$6,097,434</b>	<b>5%</b>		
<b>Expected:</b>	<b>\$5,770,000</b>	<b>\$5,830,000</b>			
<b>Difference:</b>	<b>\$53,876</b>	<b>\$267,434</b>			

Table 34

## UTAH COUNTIES INDEMNITY POOL

## ALL COVERAGES

PREMIUM INDICATION FOR 1/1-12/31/17 BY COVERAGE  
(Gross of Deductible)

	Law Enforcement	Errors and Omissions	General Liability Ex EO and LE	Automobile Liability	Property	Total
A. LOSS PROJECTION*	\$ 970,000	\$ 620,000	\$ 560,000	\$ 220,000	\$ 880,000	\$3,250,000
B. FIXED EXPENSES**	\$ 660,000	\$ 390,000	\$ 290,000	\$ 480,000	\$ 760,000	\$2,580,000
C. INDICATED PREMIUM UNDISCOUNTED A + B	\$1,630,000	\$1,010,000	\$ 850,000	\$ 700,000	\$1,640,000	\$5,830,000
INDICATED PREMIUM RATE	\$1,280	\$179	\$151	\$218.20	\$0.0928	
PROJECTED EXPOSURE BASE	1,273 Officers	5,634 Employees	5,634 Employees	3,208 Vehicles	\$17,678,906 Ins. Value (\$100s)	
D. CURRENT PREMIUM#	\$3,447,665			\$ 802,000	\$1,796,067	\$6,045,732
E. UNDISCOUNTED PREMIUM INDICATION C/D - 1	+ 1.2%			-12.7%	- 8.7%	- 3.6%
F. LOSS PRESENT VALUE FACTOR##	0.961	0.961	0.961	0.988	0.993	0.971
G. PREMIUM PRESENT VALUE FACTOR^	1.000					
H. INDICATED PREMIUM DISC. AT 1.0% PER ANNUM [A x F + B]/G	\$1,590,000	\$ 990,000	\$ 830,000	\$ 700,000	\$1,630,000	\$5,740,000
INDICATED PREMIUM RATE	\$1,249	\$176	\$147	\$218.20	\$0.0922	
I. DISC. PREMIUM INDICATION AT 1.0% PER ANNUM H/D - 1	- 1.1%			-12.7%	- 9.2%	- 5.1%

\* See Section B of Tables 7, 14, 21, 28, and 33.

\*\* See Appendix B, Exhibit III.

# Provided by UCIP.

## See Appendix B, Exhibit IV.

^ See Appendix B, Exhibit V.



## Rates by Layer

\*F/T Employees

\*F/T Officers

\*Licensed Vehicles

### First Layer - \$250,000 to \$1,000,000

	GL	POL	LEL	AL	
Fixed Rate	13.0661	15.7883	151.5247	52.3865	Layer Premium
Exposure	5,381	5,381	1,273	3,229	\$518,864

### Second Layer - \$1,000,000 to \$2,000,000

	GL	POL	LEL	AL	
Fixed Rate	1.3213	3.3404	18.4416	10.1746	Layer Premium
Exposure	5,381	5,381	1,273	3,229	\$83,550

### Third Layer - \$2,000,000 to \$3,000,000

	GL	POL	LEL	AL	
Fixed Rate	1.2552	3.1734	17.5195	9.6659	Layer Premium
Exposure	5,381	5,381	1,273	3,229	\$79,523

### Fourth Layer - \$3,000,000 to \$4,000,000

	GL	POL	LEL	AL	
Fixed Rate	2.2594	5.7121	31.5351	17.3986	Layer Premium
Exposure	5,305	5,305	1,273	3,137	\$138,023

### Fifth Layer - \$4,000,000 to \$5,000,000

	GL	POL	LEL	AL	
Fixed Rate	2.1464	5.4265	29.9583	16.5287	Layer Premium
Exposure	5,305	5,305	1,273	3,137	\$131,197

*\*Each layer has a minimum premium per member*

	Cyber	
Fixed Rate	3.4800	Total
Exposure	5,381	\$18,726

### Additional Coverages

Higher Dam Limits:	\$0
Higher Cyber Limits:	\$8,322
Clash Coverage:	\$29,000
Drone Coverage:	\$750
Terrorism Coverage:	\$6,819

**Total Premium: \$1,014,774**

## Ground Up Rates By Layer

	GL	POL	LEL	AL
	per full time employee	per full time employee	per full time officer	per licensed vehicle
\$3,000,000 limit less \$250,000	\$15.6426	\$22.3021	\$187.4858	\$72.2270
\$5,000,000 limit less \$250,000	\$20.0484	\$33.4407	\$248.9792	\$106.1543

*\*Each layer has a minimum premium per member*

	Cyber
	per full time employee
\$1,000,000 limit less \$250,000	\$3.4800



# Utah Counties Indemnity Pool Payments

June 6, 2016 - August 18, 2016

Type	Date	Num	Name	Memo	Amount
<b>500-000000-10010100 WFMLE</b>					
Total 500-000000-10010100 WFMLE					
<b>500-000000-10010100 ZionsHRA</b>					
Check	06/30/2016			Service Charge	-5.00
Check	08/15/2016	BILLPAY	Lisa Brown	2016 HRA Final Benefit	-357.54
Total 500-000000-10010100 ZionsHRA					-362.54
<b>500-000000-10010100 ZionsMLC</b>					
Check	06/13/2016	ACH	Frontier Adjusters, Inc.	Invoice: T594075	-291.70
Check	06/13/2016	ACH	Hutton Law Associates, P.C.	Invoice: 00166	-4,225.20
Check	06/13/2016	ACH	Hutton Law Associates, P.C.	Invoice: 00167	-2,278.88
Check	06/13/2016	ACH	Hutton Law Associates, P.C.	Invoice: 00168	-4,470.00
Check	06/13/2016	ACH	Mylar Law, PC	Invoice: 20160057	-4,346.00
Check	06/13/2016	ACH	Mylar Law, PC	Invoice: 20160053	-5,312.00
Check	06/13/2016	ACH	Mylar Law, PC	Invoice: 20160056	-8,638.98
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287156	-1,018.62
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287159	-6,495.43
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287160	-733.97
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287166	-3,250.22
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287165	-4,464.16
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287164	-8,241.22
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287162	-3,740.00
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287067	-604.00
Check	06/13/2016	ACH	Suitter Axland	Invoice: 1287161	-411.70
Check	06/13/2016	ACH	Weber Human Services	Claim: WHS0000112016	-1,241.04
Check	06/13/2016	ACH	Weber Human Services	Claim: WHS0000022016	-3,750.47
Check	06/24/2016	ACH	Frontier Adjusters, Inc.	Invoice: T595640	-910.40
Check	06/24/2016	ACH	Frontier Adjusters, Inc.	Invoice: T59838	-225.00
Check	06/24/2016	ACH	Frontier Adjusters, Inc.	Invoice: T596989	-684.20
Check	06/24/2016	ACH	Millard County	Claim: MIL0000072016	-57,333.00
Check	06/24/2016	ACH	Millard County	Claim: MIL0000012016	-21,797.71
Check	06/24/2016	ACH	Mylar Law, PC	Invoice: 20160058	-4,321.62
Check	06/24/2016	ACH	Mylar Law, PC	Invoice: 20160059	-5,334.08
Check	06/24/2016	ACH	Mylar Law, PC	Invoice: 20160060	-6,573.70
Check	06/24/2016	ACH	Stirba, P. C.	Invoice: 01017018	-12,646.79
Check	06/30/2016	ACH	Mylar Law, PC	Invoice: 20160063	-5,677.00
Check	06/30/2016	ACH	Mylar Law, PC	Invoice: 20160064	-7,023.00
Check	06/30/2016	ACH	Mylar Law, PC	Invoice: 20160061	-2,949.50
Check	06/30/2016	ACH	Mylar Law, PC	Invoice: 20160062	-4,395.36
Check	06/30/2016	ACH	Weber Human Services	Claim: WHS0000032016	-789.45
Check	07/08/2016	ACH	Dunn & Dunn	Invoice: 37634	-313.50
Check	07/08/2016	ACH	Dunn & Dunn	Invoice: 37636	-244.50
Check	07/08/2016	ACH	Dunn & Dunn	Invoice: 37637	-538.50
Check	07/08/2016	ACH	Dunn & Dunn	Invoice: 37635	-640.00
Check	07/08/2016	ACH	Dunn & Dunn	Invoice: 37638	-4,130.50
Check	07/08/2016	ACH	Hutton Law Associates, P.C.	Invoice: 00172	-4,639.44
Check	07/08/2016	ACH	Hutton Law Associates, P.C.	Invoice: 00173	-3,143.38
Check	07/08/2016	ACH	Suitter Axland	Invoice: 1287292	-3,601.23
Check	07/08/2016	ACH	Suitter Axland	Invoice: 1287296	-6,823.02
Check	07/08/2016	ACH	Suitter Axland	Invoice: 1287299	-26,285.29
Check	07/08/2016	ACH	Suitter Axland	Invoice: 1287302	-3,662.84
Check	07/08/2016	ACH	Suitter Axland	Invoice: 1287303	-2,328.98
Check	07/08/2016	ACH	Suitter Axland	Invoice: 1287304	-4,156.12
Check	07/15/2016	ACH	Duchesne County	Claim: DUC0001482016	-11,611.96
Check	07/15/2016	ACH	Frontier Adjusters, Inc.	Invoice: T601843	-1,095.40
Check	07/15/2016	ACH	Mylar Law, PC	Invoice: 20160066	-9,023.50
Check	07/15/2016	ACH	Mylar Law, PC	Invoice: 20160065	-3,629.50
Check	07/15/2016	ACH	Mylar Law, PC	Invoice: 20160067	-3,507.51
Check	07/15/2016	ACH	XACT Data Discovery	Invoice: 4611171	-2,613.60
Check	07/27/2016	ACH	Durham Jones & Pinegar	Invoice: 524473	-1,332.00
Check	07/27/2016	ACH	Frontier Adjusters, Inc.	Invoice: T604016	-552.50
Check	07/27/2016	ACH	Mylar Law, PC	Invoice: 20160069	-9,513.00
Check	07/27/2016	ACH	Sevier County	Claim: SEV0000062016	-959.72
Check	07/27/2016	ACH	Stirba, P. C.	Invoice: 01019004	-637.65
Check	07/27/2016	ACH	Strong & Hanni	Invoice: 156979	-14,070.01
Check	07/27/2016	ACH	Strong & Hanni	Invoice: 156981	-64.00
Check	07/27/2016	ACH	Strong & Hanni	Invoice: 156980	-912.00
Check	07/27/2016	ACH	Strong & Hanni	Invoice: 156982	-1,237.63
Check	07/27/2016	ACH	Strong & Hanni	Invoice: 156978	-18,513.54
Check	07/27/2016	ACH	Weber Human Services	Claim: WHS0000122016	-706.90
Check	08/04/2016	ACH	Hutton Law Associates, P.C.	Invoice: 00179	-2,475.96
Check	08/04/2016	ACH	Hutton Law Associates, P.C.	Invoice: 00178	-6,455.14
Check	08/04/2016	ACH	Hutton Law Associates, P.C.	Invoice: 00177	-2,334.00
Check	08/04/2016	ACH	Suitter Axland	Invoice: 1287408	-6,048.70
Check	08/04/2016	ACH	Suitter Axland	Invoice: 1287407	-6,010.92
Check	08/04/2016	ACH	Suitter Axland	Invoice: 1287406	-1,375.00
Check	08/04/2016	ACH	Suitter Axland	Invoice: 1287401	-3,595.96
Check	08/04/2016	ACH	Millard County	Claim: MIL0000072016	-3,200.00
Check	08/04/2016	ACH	Mylar Law, PC	Invoice: 20160073	-3,120.00
Check	08/04/2016	ACH	Mylar Law, PC	Invoice: 20160072	-6,229.00
Check	08/04/2016	ACH	Suitter Axland	Invoice: 1287401	-3,595.96
Check	08/11/2016	ACH	Durham Jones & Pinegar	Invoice: 529595	-828.90



**Utah Counties Indemnity Pool**  
**Payments**  
June 6, 2016 - August 18, 2016

Type	Date	Num	Name	Memo	Amount
Check	08/11/2016	ACH	Mylar Law, PC	Invoice: 20160077	-2,344.20
Check	08/11/2016	ACH	Mylar Law, PC	Invoice: 20160078	-515.00
Check	08/11/2016	ACH	Mylar Law, PC	Invoice: 20160074	-6,293.00
Check	08/11/2016	ACH	Mylar Law, PC	Invoice: 20160075	-4,224.66
Check	06/14/2016	BILLPAY	April Alamilla	Claim: IRO0000062016	-801.74
Check	06/14/2016	BILLPAY	Hansens Collision Center LLC	Claim: WAY0000062016	-2,612.74
Check	06/14/2016	BILLPAY	Jose Solis	Claim: DAV0000182016	-2,135.01
Check	06/14/2016	BILLPAY	Juab County	Claim: JUA0000042016	-76,500.00
Check	06/14/2016	BILLPAY	Sanpete County	Claim: SAN0000012015	-564.26
Check	06/17/2016	BILLPAY	Enterprise Rent-A-Car, Inc.	Invoice: 550014416913	-2,912.04
Check	06/17/2016	BILLPAY	Sevier Valley Hospital	Invoice: C1423003929019	-1,705.85
Check	06/17/2016	BILLPAY	Uintah County	Claim: UIN0000072016	-10,035.87
Check	06/27/2016	BILLPAY	Christensen & Jensen	Invoice: 85321	-6,907.48
Check	06/27/2016	BILLPAY	Christensen & Jensen	Invoice: 85322	-2,747.50
Check	06/27/2016	BILLPAY	Christensen & Jensen	Invoice: 85320	-2,097.05
Check	06/27/2016	BILLPAY	San Juan County	Claim: SAJ0000082016	-6,128.99
Check	07/05/2016	BILLPAY	Braden Day	Claim: RIC0000022016	-2,430.54
Check	07/05/2016	BILLPAY	Jason Kunz	Claim: WHS0000062016	-1,966.09
Check	07/05/2016	BILLPAY	Martin Jensen	Claim: WAY0000072016	-4,839.88
Check	07/12/2016	BILLPAY	Enterprise Rent-A-Car, Inc.	Invoice: 4R7SPX	-55.66
Check	07/12/2016	BILLPAY	San Juan County	Claim: SAJ0000092016	-624.54
Check	07/12/2016	BILLPAY	Uintah County	Claim: UIN0000082016	-15,990.96
Check	07/12/2016	BILLPAY	Washington County	Claim: WAS0000092016	-4,504.95
Check	07/12/2016	BILLPAY	Washington County	Claim: WAS0000082016	-2,892.00
Check	07/19/2016	BILLPAY	Tyler Larsen	Claim: DAV0002772012	-17,568.00
Check	07/29/2016	BILLPAY	Christensen & Jensen	Invoice: 85624	-5,433.20
Check	07/29/2016	BILLPAY	Christensen & Jensen	Invoice: 85626	-4,637.50
Check	07/29/2016	BILLPAY	Christensen & Jensen	Invoice: 85625	-8,540.58
Check	07/29/2016	BILLPAY	Don's Professional Collision Repair	Invoice: C8FE600D	-68.79
Check	07/29/2016	BILLPAY	Katherine Haneman	Claim: WCP0000012016	-191.43
Check	07/29/2016	BILLPAY	Mary Houston	Claim: WAS0000092016	-1,000.00
Check	07/29/2016	BILLPAY	Uintah County	Claim: UIN0000082016	-7,532.04
Check	07/29/2016	BILLPAY	Washington County	Claim: WAS0000092016	-1,865.05
Check	08/08/2016	BILLPAY	Juab County	Claim: JUA0000052016	-3,621.83
Check	08/08/2016	BILLPAY	Uintah County	Claim: UIN0000072016	-1,243.00
Check	08/08/2016	BILLPAY	Enterprise Rent-A-Car, Inc.	Invoice: 4Z6XTM	-407.12
Check	08/16/2016	BILLPAY	Tropical Smoothie Cafe	Claim: IRO0000092016	-1,500.00

Total 500-000000-10010100 ZionsMLC

-595,370.21

**500-000000-10010100 ZionsMLE**

Liability Check	06/14/2016		QuickBooks Payroll Service	Created by Payroll Service on 06/09/2016	-10,241.46
Liability Check	06/29/2016		QuickBooks Payroll Service	Created by Payroll Service on 06/24/2016	-10,241.45
Liability Check	07/14/2016		QuickBooks Payroll Service	Created by Payroll Service on 07/08/2016	-10,241.43
Check	06/30/2016			Service Charge	-121.62
Liability Check	07/28/2016		QuickBooks Payroll Service	Created by Payroll Service on 07/26/2016	-10,241.46
Liability Check	08/12/2016		QuickBooks Payroll Service	Created by Payroll Service on 08/08/2016	-10,424.79
Check	06/14/2016	ACH	James Kaiserman	Expense Reimbursement	-304.05
Bill Pmt -Check	06/13/2016	ACH	County Reinsurance, Limited	IRO Cyber	-3,261.00
Bill Pmt -Check	06/13/2016	ACH	Gallagher Bassett Services, Inc.	Invoice: 15054	-180.00
Bill Pmt -Check	06/13/2016	ACH	HCA Asset Management, LLC	Invoice: 16-0508	-14,500.00
Bill Pmt -Check	06/13/2016	ACH	Les Olson Company	Invoice: EA652076	-92.24
Check	06/14/2016	ACH	Alma Adams	Expense Reimbursement	-86.40
Check	06/14/2016	ACH	Kerry Gibson	Expense Reimbursement	-174.00
Check	06/14/2016	ACH	Mark Whitney	Mileage Reimbursement	-119.88
Bill Pmt -Check	06/14/2016	ACH	End Point Corporation	Invoice: US1602	-60.00
Bill Pmt -Check	06/14/2016	ACH	Revco Leasing Company, LLC	Invoice: 428263	-435.91
Check	06/30/2016	ACH	PEHP-LTD	Period: JUN2016	-182.13
Liability Check	06/30/2016	ACH	Public Employees Health Program	Invoice: 0121818384	-4,780.06
Bill Pmt -Check	07/05/2016	ACH	Arthur J. Gallagher & Co.	Invoice: 1370490	-2,441.00
Bill Pmt -Check	06/30/2016	ACH	Les Olson Company	Invoice: EA656249	-63.40
Bill Pmt -Check	06/30/2016	ACH	AGRIP	Invoice: 002350	-1,553.70
Bill Pmt -Check	07/05/2016	ACH	County Reinsurance, Limited	Property	-450,189.00
Bill Pmt -Check	07/15/2016	ACH	Arthur J. Gallagher & Co.	Invoice: 1814440	-4,624.70
Bill Pmt -Check	07/15/2016	ACH	County Reinsurance, Limited	Invoice: Liability	-4,110.00
Bill Pmt -Check	07/15/2016	ACH	Gallagher Bassett Services, Inc.	Invoice: 15063	-216.00
Bill Pmt -Check	07/15/2016	ACH	HCA Asset Management, LLC	Invoice: 16-0518	-14,180.00
Bill Pmt -Check	07/15/2016	ACH	Revco Leasing Company, LLC	Invoice: 430930	-435.91
Liability Check	07/27/2016	ACH	Public Employees Health Program	Invoice: 0121842701	-4,780.06
Check	07/27/2016	ACH	PEHP-LTD	Period: JUL2016	-182.13
Bill Pmt -Check	07/27/2016	ACH	Les Olson Company	Invoice: EA661767	-40.84
Check	08/02/2016	ACH	Johnnie Miller	Expense Reimbursement	-460.98
Bill Pmt -Check	08/09/2016	ACH	Gallagher Bassett Services, Inc.	Invoice: 15072	-192.00
Bill Pmt -Check	08/09/2016	ACH	Revco Leasing Company, LLC	Invoice: 433615	-435.91
Check	08/18/2016	ACH	Johnnie Miller	Expense Reimbursement	-259.16
Bill Pmt -Check	08/18/2016	ACH	By The Numbers Actuarial Consultin...	Invoice: 2016187	-7,000.00
Check	06/06/2016	BILLPAY	Johnnie Miller	Expense Reimbursement	-231.12
Bill Pmt -Check	06/15/2016	BILLPAY	Office Depot	35538769	-62.66
Bill Pmt -Check	06/15/2016	BILLPAY	Premiere Global Services	Invoice: 21190843	-107.32
Check	06/15/2016	BILLPAY	Johnnie Miller	Expense Reimbursement	-457.14
Check	06/16/2016	BILLPAY	Mike Wilkins	Mileage Reimbursement	-475.20
Check	06/16/2016	BILLPAY	Brad Dee	Expense Reimbursement	-347.25
Check	06/16/2016	BILLPAY	Bret Millburn	Expense Reimbursement	-346.68
Check	06/16/2016	BILLPAY	Bruce Adams	Expense Reimbursement	-385.05

# Utah Counties Indemnity Pool Payments

June 6, 2016 - August 18, 2016

Type	Date	Num	Name	Memo	Amount
Check	07/05/2016	BILLPAY	UIN	Overpayment WC Audit 2015	-14.62
Billi Pmt -Check	07/19/2016	BILLPAY	Clerk/Auditors Summer Conference	Invoice: 2016 Sponsorship	-300.00
Bill Pmt -Check	07/19/2016	BILLPAY	Office Depot	Invoice: 849471188001	-135.84
Bill Pmt -Check	07/19/2016	BILLPAY	Professional Yard Services	Invoice: 825047	-475.00
Bill Pmt -Check	08/12/2016	BILLPAY	Weber County Commission Office	Event Sponsor: 08/29/16	-300.00
Liability Check	08/09/2016	DD	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270662205967103	-4,074.60
Liability Check	08/09/2016	DD	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270662274127145	-363.52
Liability Check	06/13/2016	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270656525259340	-4,205.74
Liability Check	06/30/2016	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270658272069008	-4,205.76
Liability Check	06/30/2016	ONLINE	Utah State Tax Commission	Confirmation: 1-310-616-832.	-1,379.90
Liability Check	06/30/2016	ONLINE	Utah Retirement Systems	Confirmation Number: 062915258842	-7,419.70
Liability Check	06/30/2016	ONLINE	Nationwide Retirement Solutions	Entity: 0036786001	-2,462.06
Bill Pmt -Check	06/13/2016	ONLINE	American Express	3-41009	-910.85
Bill Pmt -Check	07/12/2016	ONLINE	American Express	3-41009	-9,934.52
Liability Check	07/15/2016	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270659784942539	-4,205.80
Liability Check	07/26/2016	ONLINE	Utah Retirement Systems	Confirmation: 072658199428	-7,419.70
Liability Check	07/27/2016	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270660973971397	-4,205.74
Liability Check	07/27/2016	ONLINE	Utah State Tax Commission	Confirmation: 1-364-399-360	-1,379.90
Liability Check	07/27/2016	ONLINE	Nationwide Retirement Solutions	Entity: 0036786001	-2,462.06
Bill Pmt -Check	08/08/2016	ONLINE	American Express	Confirmation: W2318	-1,769.09
Total 500-000000-10010100 ZionsMLE					-626,889.49
<b>TOTAL</b>					<b>-1,222,622.24</b>







# Utah Counties Indemnity Pool

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## *FINANCIAL STATEMENTS*

Quarter Ending June 30, 2016

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# Utah Counties Indemnity Pool

## Second Quarter 2016 Financial Statements

To the Board of Trustees:

I have compiled the accompanying, in-house prepared, unaudited account balances arising from cash transactions and from accrual transactions of the Utah Counties Indemnity Pool as of June 30, 2016 to the basic financial statements.

Sonya White

Chief Financial Officer

801-307-2113

[sonya@ucip.utah.gov](mailto:sonya@ucip.utah.gov)

Reviewed this \_\_\_\_\_ day of \_\_\_\_\_, 2016

By: \_\_\_\_\_

**UTAH COUNTIES INDEMNITY POOL**  
**STATEMENT of NET POSITION**  
**Quarter Ended June 30, 2016**

	<u>Jun 30, 2016</u>	<u>Dec 31, 2015</u>	<u>Jun 30, 2015</u>
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 10,022,381	\$ 9,829,568	\$ 8,715,275
Short-term investments	100,338	150,170	150,332
Accounts receivable	3,246	2,887	60,187
Net pension asset	118	118	118
Prepaid expenses	554,575	238,475	938,334
TOTAL CURRENT ASSETS	<u>10,680,658</u>	<u>10,221,218</u>	<u>9,864,246</u>
INVESTMENTS	3,710,767	3,502,225	4,115,424
PROPERTY AND EQUIPMENT	539,553	541,728	9,250
SECURITY DEPOSIT	-	10,788	11,336
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>75,814</u>	<u>75,814</u>	<u>46,275</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 15,006,792</u></u>	<u><u>\$ 14,351,773</u></u>	<u><u>\$ 14,046,531</u></u>
<b>LIABILITIES AND NET POSITION</b>			
CURRENT LIABILITIES			
Reserves for losses and loss adjustment expenses	\$ 8,185,675	\$ 8,185,675	\$ 8,771,838
Accounts payable	-	1,918	-
Accrued expenses	78,393	70,388	72,288
Contributions paid in advance	2,915,734	2,719,398	2,602,448
TOTAL CURRENT LIABILITIES	<u>11,179,802</u>	<u>10,977,379</u>	<u>11,446,574</u>
NONCURRENT LIABILITIES			
Net pension liability	179,248	179,248	179,248
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	22,952	22,952	22,952
NET POSITION			
Net investment in capital assets	539,553	541,728	9,250
Unrestricted	3,085,237	2,630,466	2,388,508
TOTAL NET POSITION	<u>3,624,790</u>	<u>3,172,194</u>	<u>2,397,758</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 15,006,792</u></u>	<u><u>\$ 14,351,773</u></u>	<u><u>\$ 14,046,531</u></u>



**UTAH COUNTIES INDEMNITY POOL**  
**STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION**  
**Quarter Ended June 30, 2016**

	<u>Jun 30, 2016</u>	<u>Budget</u>	<u>Over Budget</u>	<u>% of Budget</u>
OPERATING INCOME				
Contributions	\$ 2,913,499	5,823,876	(2,910,377)	50%
Investment income	55,863	50,000	5,863	112%
Other income	5,845	5,000	845	117%
TOTAL OPERATING INCOME	<u>2,975,207</u>	<u>5,878,876</u>	<u>(2,903,669)</u>	<u>51%</u>
UNDERWRITING EXPENSES				
Losses and loss adjustment expenses	1,288,110	3,200,000	(1,911,890)	40%
Reinsurance coverage	795,574	1,600,000	(804,427)	50%
TOTAL UNDERWRITING EXPENSES	<u>2,083,684</u>	<u>4,800,000</u>	<u>(2,716,316)</u>	<u>43%</u>
ADMINISTRATION EXPENSES				
Trustees	29,756	45,000	(15,244)	66%
Depreciation	2,175	13,000	(10,825)	17%
Risk management	21,097	55,000	(33,903)	38%
Public relations	3,789	10,000	(6,211)	38%
Office	33,436	125,000	(91,564)	27%
Financial	38,417	125,000	(86,583)	31%
Personnel	318,348	675,000	(356,652)	47%
TOTAL ADMINISTRATION EXPENSES	<u>447,017</u>	<u>1,048,000</u>	<u>(600,983)</u>	<u>43%</u>
TOTAL OPERATING EXPENSES	<u>2,530,701</u>			
NET OPERATING INCOME	<u>444,506</u>			
OTHER INCOME EXPENSES				
Unrealized loss on marketable securities	8,090			
TOTAL OTHER EXPENSES	<u>8,090</u>			
CHANGE IN NET POSITION	452,596			
NET POSITION AT BEGINNING OF YEAR	<u>3,172,194</u>			
NET POSITION AT END OF QUARTER	<u>\$ 3,624,790</u>			



**UTAH COUNTIES INDEMNITY POOL**  
**STATEMENTS of CASH FLOWS**  
**Quarter Ended June 30, 2016**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions collected	\$ 3,109,476	\$ 6,466,076
Other fees collected	5,845	27,313
Reinsurance paid	(1,111,673)	39,291
Losses and loss expenses paid	(1,288,110)	(2,588,057)
Cash paid to employees	(310,343)	(613,287)
Other administrative expenses paid	(117,625)	(367,762)
CASH FLOWS FROM OPERATING ACTIVITIES	<u>287,570</u>	<u>2,963,574</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	-	(12,487)
Cash from sale of capital assets	-	8,010
CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(4,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,008,710)	(2,690,957)
Sale of investments	850,000	2,856,620
Investment income	63,953	67,901
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(94,757)</u>	<u>233,565</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	192,813	3,192,662
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,829,568</u>	<u>6,636,905</u>
CASH AND CASH EQUIVALENTS AT END OF QUARTER	<u>\$ 10,022,381</u>	<u>\$ 9,829,568</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 452,596	\$ 826,325
Adjustments to reconcile change in net position to net cash flows used by operating activities		
Depreciation	2,175	13,188
Interest on investments	(55,863)	(72,711)
Increase in equity in CRL	-	(126,875)
Net outflows of resources relating to pension	-	(30,031)
Unrealized loss on investments	(8,090)	4,810
Gain on sale of capital assets	-	(7,581)
Accounts receivable	(359)	303
Member receivable	(316,100)	1,649,895
Prepaid expenses	-	(15,064)
Security deposits	10,788	548
Reserves for loss and loss adjustment expenses	-	(586,163)
Accounts payable	(1,918)	(564)
Accrued expenses	8,005	(7,895)
Contributions paid in advance	196,336	1,315,389
Total adjustments	<u>(165,026)</u>	<u>2,137,249</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ 287,570</u>	<u>\$ 2,963,574</u>

*The accompanying notes are an integral part of the financial statements.*



# UTAH COUNTIES INDEMNITY POOL

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## PURCHASING POLICY

Effective Date: August 18, 2016

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Last Review Date: August 18, 2016

Last Revision Date: August 18, 2016

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## ARTICLE I - GENERAL PROVISIONS

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### A. The underlying purposes of this policy are:

1. To ensure fair and equitable treatment of all persons who wish to, or do conduct business with the Utah Counties ~~Insurance~~-Indemnity Pool (UCIP).
2. To provide for the greatest possible economy in UCIP's procurement activities.
3. To foster effective, broad-based competition within the free enterprise system to ensure that UCIP will receive the best possible services or products at the lowest possible prices.

### B. Compliance - Exemptions from this policy.

1. This policy shall not prevent UCIP from complying with the terms and conditions of any grant, gift, or bequest that is otherwise consistent with law.
2. When a procurement involves the expenditure of federal assistance funds, UCIP shall comply with applicable federal law and regulations.

### C. Definitions.

1. "Business" means any corporation, partnership, individual, sole proprietorship, joint stock company, joint venture, or any other private legal entity.
2. "Change order" means a written order signed by the purchasing agent, directing the contractor to suspend work or make changes, which the appropriate clauses of the contract authorize the purchasing agent to order without the consent of the contractor or any written alteration in specifications, delivery point, rate of delivery, period of performance, price, quantity, or other provisions of any contract accomplished by mutual action of the parties to the contract.
3. "Contract" means any agreement entered into by UCIP for the procurement or disposal of supplies, services, or construction, but shall not mean any policy of insurance, excess insurance or reinsurance, bond, surety or other risk financing instrument.
4. "Invitation for bids" means all documents, whether attached or incorporated by reference, used for soliciting bids.
5. "Person" means any business, individual, union, committee, club, other organization, or group of individuals.
6. "Professional services" means labor, effort or work that requires an elevated degree of specialized knowledge and discretion, including accounting, architecture, construction and design management, engineering, financial services, information technology, insurance brokerage, legal, medical, or underwriting.

- 6.7. "Procurement" means buying, purchasing, renting, leasing, leasing with an option to purchase, or otherwise acquiring any supplies, services, or construction.
- 7.8. "Purchasing agent" means the Chief Executive Officer or other person duly authorized by the UCIP Board of Trustees to enter into and administer contracts and make written determinations with respect thereto.
- 8.9. "Purchase description" means the words used in a solicitation to describe the supplies, services, or construction to be purchased, and includes specifications attached to or made a part of the solicitation.
10. "Request for proposals" means all documents, whether attached or incorporated by reference, used for soliciting proposals.
- 9.11. "Request for qualifications" means a document used to solicit information about the qualifications of a person interested in providing services including all other documents attached to that document or incorporated in that document by reference.

## ARTICLE 2 - OFFICE OF THE PURCHASING AGENT

The UCIP Chief Executive Officer shall act in the capacity of Purchasing Agent ~~unless the Board of Trustees appoints another person or position as Purchasing Agent.~~ The Purchasing Agent shall be responsible to make procurements, solicit bids and proposals, enter into and administer contracts, and make written determinations under this policy. The Purchasing Agent may delegate purchasing authority to the CFO at their discretion.

## ARTICLE 3 - SOURCE SELECTION AND CONTRACT FORMATION - GENERAL PROVISIONS

### A. Purchases not requiring sealed bids.

1. Purchases costing less than \$5,000 in total shall not require bids of any type. (Purchases shall not be artificially divided so as to constitute a small purchase under this section.)
2. Purchases costing more than \$5,000 but less than \$10,000 in total, shall require at least 3 telephone bids.
3. Purchases made through the cooperative purchasing contracts administered by the State Division of Purchasing.
4. Purchases made from a single-source provider as determined by the Purchasing Agent.
5. Purchase of professional services.
- 5.6. Purchase of services if the Purchasing Agent opines in writing to the Board of Trustees that the services are of such a nature, or require being provided in such a nature, as to be best provided by a specific source.
- 6.7. Purchases required during an emergency, i.e., an eminent threat to the public's health, welfare, or safety. However, as much competition as practical should be obtained: and. Such purchases should be limited to amounts necessary to the resolution of the emergency.

### B. Purchases requiring sealed bids.



1. Contracts shall be awarded by competitive sealed bidding except as otherwise provided by this policy.
2. An invitation for bids shall be issued when a contract is to be awarded by competitive sealed bidding. The invitation shall include a purchase description and all contractual terms and conditions applicable to the procurement. Public notice of the invitation for bids shall be given at least 30 days prior to the date set forth therein for the opening of bids. The notice may include publication in a newspaper of general circulation.
3. Any procurement by sealed bid in excess of \$10,000 shall require a legal notice in a local newspaper of general circulation.
4. Bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the invitation for bids. The amount of each bid and any other relevant information, together with the name of each bidder, shall be recorded. The record and each bid shall be open to public inspection.
5. Bids shall be unconditionally accepted without alteration or correction, except as authorized in this policy. Bids shall be evaluated based on the requirements set forth in the invitation for bids.
6. Correction or withdrawal of inadvertently erroneous bids before or after award, or cancellation of awards or contracts based on such bid mistakes, shall be permitted. After bid opening no changes in bid prices or other provisions of bids prejudicial to the interest of UCIP or fair competition shall be permitted. All decisions to permit the correction or withdrawal of bids or to cancel awards or contracts based on bid mistakes shall be supported by a written determination made by the Purchasing Agent.
7. The contract shall be awarded with reasonable promptness, by written notice, to the lowest bidder whose bid meets the requirements and criteria set forth in the invitation for bids.

C. Cancellation and rejection of bids.

An invitation for bids, a request for proposals, or other solicitation may be canceled, or any or all bids or proposals may be rejected, in whole or in part, as may be specified in the solicitation, when it is in the best interests of UCIP. The reasons shall be made part of the contract file.

D. Use of competitive sealed proposals in lieu of bids.

When the Purchasing Agent determines in writing that the use of competitive sealed bidding is either not practicable or not advantageous to UCIP, a contract may be entered into by competitive sealed proposals. Competitive sealed proposals are most appropriately used for professional service- type contracts.

1. Proposals shall be solicited through a request for proposals. Public notice of the request for proposals shall be given at least 30 days prior to the advertised date of the opening of the proposals.
2. Proposals shall be opened so as to avoid disclosure of contents to competing offerors during the process of negotiation. A register of proposals shall be prepared and shall be open for public inspection after contract award.

3. The request for proposals shall state the relative importance of price and other evaluating factors.
4. Offerors shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision of proposals, and revisions may be permitted after submissions and prior to award for the purpose of obtaining best and final offers. In conducting discussions, there shall be no disclosure of any information derived from proposals submitted by competing offerors, except to the extent required by law.
5. Award shall be made to the person whose proposal is determined, in writing, to be the most advantageous to UCIP, taking into consideration price and the evaluation factors set forth in the request for proposals. No other factors or criteria shall be used in the evaluation. The contract file shall contain the basis on which the award is made.

E. Architect-Engineer services are qualification-based procurements, and may be solicited through a Request for Qualifications process. Requests for such services should be publicly announced. Contracts should be negotiated by UCIP based on demonstrated competence at fair and reasonable prices. ~~See section 63-56-42 through 44 of the Utah Code.~~

F. Broker services are qualification based procurements, and may be solicited through a Request for Qualifications process. Requests for such services should be publicly announced. Contracts should be negotiated by UCIP based on demonstrated competence at fair and reasonable prices.

G. Determination of non-responsiveness of bidder.  
Determination of non-responsiveness of a bidder or offeror shall be made in writing. The unreasonable failure of a bidder or offeror to promptly supply information in connection with an inquiry with respect to responsiveness may be grounds for a determination of non-responsiveness with respect to the bidder or offeror. ~~Information furnished by a bidder or offeror pursuant to this section shall not be disclosed outside of the purchasing division without prior written consent by the bidder or offeror.~~

H. Cost-plus-a-percentage-of-cost contracts prohibited.  
Subject to the limitations of this section, any type of contract which will promote the best interests of UCIP may be used, provided that the use of a cost-plus-a-percentage-of-cost contract is prohibited. A cost-reimbursement contract may be used only when a determination is made in writing that such contract is likely to be less costly to UCIP than any other type or that it is impracticable to obtain the supplies, services, or construction required except under such a contract.

I. Required contract clauses.

1. The unilateral right of UCIP to order, in writing, changes in the work within the scope of the contract and changes in the time of performance of the contract that do not alter the scope of the contract work.

2. Variations occurring between estimated quantities of work in a contract and actual quantities.
1. Suspension of work ordered by UCIP.

#### ARTICLE 4 - SPECIFICATIONS

All specifications shall seek to promote overall economy and best use for the purposes intended, and encourage competition in satisfying UCIP's needs, and shall not be unduly restrictive. Where practical and reasonable, and within the scope of this article and Utah law, Utah products shall be given preference.

#### ARTICLE 5 - APPEALS

A. Any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with the solicitation or award of a contract may appeal to the purchasing agent. An appeal shall be submitted in writing within 5 working days after the aggrieved person knows or should have known of the facts.

B. The purchasing agent shall promptly issue a written decision regarding any appeal, if it is not settled by a mutual agreement. The decision shall state the reasons for the action taken and inform the protestor, contractor, or prospective contractor of the right to appeal to the governing board.

C. The Board of Trustees of UCIP shall be the final appeal.

~~D. All further appeals shall be handled in the same manner as described in section 63-56-58 through 64 of the Utah Code.~~

#### ARTICLE 6 - ETHICS IN PUBLIC CONTRACTING

A. No person involved in making procurement decisions may have personal investments in any business entity which will create a substantial conflict between their private interests and their public duties.

B. Any person involved in making procurement decisions is guilty of a felony if the person asks, receives, or offers to receive any emolument, gratuity, contribution, loan, or reward, or any promise thereof, either for the person's own use or the use or benefit of any other person or organization from any person or organization interested in selling to UCIP.





**Utah Counties Indemnity Pool  
Trustee/Employee Travel Reimbursement Policy**

Effective Date: August 18, 2016

Last Review Date: August 18, 2016

Last Revision Date: August 18, 2016

**PART I – General Policy**

**1. Purpose**

This policy defines the travel policy for UCIP Trustees and employees to assure compliance with rates set in accordance with U.C.A. 63A-3-107 and to assure proper oversight of public funds.

**2. Amendment by Change in Statute or Rule**

The rates identified in this policy are meant to follow the rates required by U.C.A. 63A-3-107 and rules adopted in accordance with statute, and all rates identified herein are considered amended to comply with such statutes and rules at the effective date of any change to statute or rule.

**3. Definitions**

“Home” means either the traveler’s actual home, or their office, depending on where they depart from or return to.

“Traveler” means a UCIP Trustee or employee traveling on UCIP business.

“Original receipt” or “original invoice” means a hardcopy receipt or invoice received directly from the vendor at the time of purchase and includes any faxed or scanned receipt/invoice received directly from a vendor.

**5. Approval by CEO/CFO**

When approval is required by the CEO, and the CEO is the traveler, the approval shall be made by the CFO. When approval is required by the CFO and the CFO is the traveler, the approval shall be made by the CEO.

**4. Tax Consequences**

The traveler is responsible for any tax consequences associated with this reimbursement policy.

## PART II - Transportation Policy

### 1. Commercial Airlines

#### A. Reservations

1. Reservations (in-state, out-of-state, and foreign travel) should be made through the Chief Financial Officer in an effort to determine the least expensive air fare available at the time reservations are made. Where special and reduced fares are available, they may be secured with approval of the CFO.
2. Travelers making their own travel arrangements should consider making reservations far enough in advance and flying during off-peak times of the week to qualify for discount fares, if possible. If a traveler has made alternate travel arrangements, which resulted in a higher cost to UCIP, without the approval of the CFO, the traveler must reimburse UCIP for the additional cost. If a traveler makes their own travel arrangements a copy of the traveler's itinerary must be attached to the Travel Reimbursement Request.
3. Travelers may stay at their destination over a weekend if it reduces the total cost of the trip (i.e., the ticket savings is greater than the cost of lodging and per diem.) The traveler does not earn comp time or overtime for the weekend stay. Traveler should be as flexible as possible on flight times and travel days.
4. Priority seating charges will not be reimbursed unless preapproved by the CFO. Exceptions will be allowed for unusual circumstances when approved by the CFO or CEO prior to the trip.
5. Only one change fee per trip will be reimbursed by UCIP. An explanation for any additional changes or any other exception to this policy must be given and approved by the CFO or CEO.
6. If a traveler chooses to make a same-day change to a different flight, they may do so without prior approval of the CFO as long as the fee is not more than \$50.
7. Travelers will be reimbursed for mileage to and from the airport, or mileage to and from the airport for someone to drop off and pick up the traveler (two trips).
8. Travelers will be reimbursed for long-term parking or away-from-the-airport parking. The maximum reimbursement for parking is the long term parking rate at the airport they are flying out of. If the parking reimbursement is \$20.00 or more, the parking receipt must be included with the Travel Reimbursement Request).

#### B. Discounts, Credits, and Special Coupons

1. Airline frequent flyer programs and hotel frequent lodging programs, credit card programs and any other programs which give a traveler on UCIP business credit for miles/hours flown, or nights lodged shall be considered the property of the traveler.
2. A traveler may utilize such credits while travelling on UCIP business; however the traveler will not be reimbursed for the credits.

### 2. Private Vehicles

#### A. Use of Private Vehicle/Member Owned Vehicle by Trustee

1. Trustees using a private vehicle for UCIP business travel will be reimbursed at a rate of 54 cents per mile.
2. If the Board Member uses a Member owned vehicle for UCIP business travel, the Member will be reimbursed at a rate of 54 cents per mile.
3. Only one person in a vehicle may receive the reimbursement, regardless of the number of people in the vehicle.

#### B. Use of a Private Vehicle by Employee

1. Employees who receive an automobile allowance will be reimbursed 38 cents per mile.

2. Employees who chose to use a private vehicle when they have the option of riding with an employee who receives an automobile allowance will be reimbursed 38 cents per mile.
3. Employees using private vehicles on approved UCIP business will be reimbursed 54 cents per mile.
4. When one or more employees are planning to attend the same meeting, travel in private vehicles will be approved only for the number of vehicles sufficient to transport those attending at the discretion of the CEO. Employee who chose to use a private when they have the option of riding with another employee attending the same meeting will not be reimbursed unless preapproved by the CEO. If use is approved by the CEO the employee will be reimbursed at the rate of 38 cents per mile.
5. Only one person in a vehicle may receive the reimbursement, regardless of the number of people in the vehicle.

#### C. Mileage Computation/Parking

1. Mileage reimbursement will be computed based on the most economical (fastest or shortest) route.
2. Vicinity and/or local travel made during a UCIP business trip should be recorded separately from mileage between points of travel. Personal travel such as to restaurants, movies, etc. is not reimbursable.
3. If the traveler uses a private vehicle on official state business and is reimbursed for mileage, parking charges may be reimbursed at actual cost as an incidental expense.

#### D. Insurance on Private Vehicles

1. The reimbursement rate includes an amount for the cost of insurance of a personal auto.
2. Physical damage to a traveler's personal auto is the responsibility of that individual or his/her insurance company. However, if the vehicle was being used on approved UCIP business travel at the time of the accident, the traveler may be reimbursed their deductible up to \$500.
3. An automobile liability claim arising during approved UCIP business travel against a traveler is the responsibility of that individual or his/her insurance company. However, if the claim is in excess of the limits carried by the traveler on their personal auto policy, a claim should be filed with UCIP.

#### E. Driving a Private Vehicle Instead of Using Commercial Airline

1. A traveler may drive a personal vehicle instead of flying if pre-approved by the CEO.
2. A traveler may be reimbursed for meals, lodging and incidental expenses (such as toll fees, parking fees, etc.) for a reasonable amount of travel time, however, if the total cost of the trip exceed the equivalent cost of the airline trip the traveler will be reimbursed the amount of the equivalent airline trip only.
3. The traveler may be required to submit a schedule comparing the cost of driving with the cost of flying for the CEO to make a determination on approval. The schedule should show that the total cost of the trip driving compared to the total cost of the trip flying. The comparison should show the lowest airfare within 30 days prior to the departure date (15 to 30 day advance reservation), round trip mileage from home base to the airport, airport parking at the current long term parking rate, and the cost of a shuttle, taxi or rental car. If a comparison is requested, it should be attached to the Travel Reimbursement Request.

#### 3. Rental Vehicles

##### A. Approval/Reimbursement

1. Rental car use for UCIP business travel must be preapproved by the CEO.
2. If the cost of rental car use including gas charges, insurance and incidental rental charges is less than the equivalent mileage reimbursement for personal vehicle use, the employee will be reimbursed for all such actual rental costs.
3. If the cost of a rental car for instate travel exceeds the cost of equivalent mileage reimbursement for personal vehicle use, the employee will be reimbursed the amount of the equivalent personal vehicle use reimbursement only.

#### B. Rental Vehicle Procedures

1. Travelers must rent vehicles to be used for approved UCIP business in their own names.
2. As most Utah automobile insurance policies include insurance coverage within the 50 states and the District of Columbia, and UCIP's liability coverage will cover claims in excess of policy limits, travelers should not need to purchase additional liability or physical damage insurance on the rental agreement. Travelers should check with their insurance agent to confirm if their policy covers liability and physical damage to rental vehicles. If the rental company offers Loss of Use insurance, which is not covered by personal insurance or UCIP, that additional insurance should be purchased and will be reimbursed to the traveler. If the traveler chooses to buy additional insurance other than Loss of Use insurance for rentals within the 50 states and the District of Columbia, the traveler will not be reimbursed for such additional insurance. If the travel is outside the 50 states and the District of Columbia, the additional insurance should be purchased and will be reimbursed.
3. Liability and physical damage coverages provided by UCIP are for travelers on official UCIP business and necessary associated use only. It will not extend to side trips and other personal use by the traveler. Travelers should be sure their personal insurance will cover the rental vehicle for personal use.
4. The traveler will be reimbursed the actual rate charged by the rental agency for a standard mid-sized car. Upgrades in size or model, made when picking up the rental vehicle, will not be reimbursed.
5. The traveler must have approval for a rental car, as described above, in order to be reimbursed for rental car parking.
6. Traveler should not accept the fuel purchase option upon pick up of the rental car unless they are certain they will use enough gas to make that option cost effective. If this option is accepted solely for convenience at a higher cost than returning the vehicle with the same level of fuel as when picked up, the traveler will not be reimbursed. If the fuel purchase option is not used, the traveler will be reimbursed for the actual cost of fuel to return the vehicle with the same level of fuel as when picked up. Employees with UCIP business credit cards may use the card to purchase fuel for rental vehicle.



### PART III - Lodging Policy

#### 1. Hotel Lodging

##### A. Conference Hotel Lodging

1. For stays at a conference hotel, traveler will be reimbursed the actual cost plus tax for both in-state and out-of-state travel.
2. The traveler should coordinate with the CFO to make reservations, but may make their own reservations for the conference hotel if special accommodations are needed.
3. Additional costs for special accommodations and incidental room charges are not reimbursable to the traveler.

##### B. Non-Conference Hotel Lodging

1. For in-state lodging at a non-conference hotel secured by the traveler, UCIP will reimburse the actual cost up to \$70 per night for single occupancy plus tax and any mandatory fees charged by the hotel, except as noted in the In-State Hotel Rate Table (See Appendix A).
2. For out-of-state lodging at a non-conference hotel booked by the traveler, UCIP will reimburse the actual cost per night plus tax and any mandatory fees charged by the hotel, not to exceed the federal lodging rate for the location (see [www.gsa.gov](http://www.gsa.gov)).
3. UCIP will reimburse the actual cost per night plus tax and any mandatory fees charged by the hotel, for in-state or out-of-state non-conference travel stays when reservations are booked by the CFO. If lodging is not available at the allowable rate in the area the traveler needs to stay, the CFO will book a hotel with the best available rate. In this circumstance, the traveler will be reimbursed at the actual rate booked plus tax and any mandatory fees charged by the hotel.
4. If a traveler chooses to stay at an in-state non-conference hotel other than one booked by the CFO that costs more than the In-State Hotel Rate Table limit, the traveler will only be reimbursed the for the allowable rate plus tax and any mandatory fees charged by the hotel.
5. If a traveler chooses to stay at an out-of-state non-conference hotel other than one booked by the CFO that costs more than the federal lodging rate for the location (see [www.gsa.gov](http://www.gsa.gov)), the traveler will only be reimbursed the for the allowable rate plus tax and any mandatory fees charged by the hotel.
6. Employees traveling less than 50 miles in excess of their normal office commute are not entitled to lodging reimbursement without preapproval of the CEO.
7. When UCIP pays for a person from out-of-state to travel to Utah for UICP business, reimbursement will be made on the same basis as for a trustee or employee.
8. Lodging is reimbursed at the rates listed above for single occupancy only. For double traveler occupancy, add \$20, for triple traveler occupancy, add \$40, for quadruple travel occupancy, add \$60.
9. Exceptions will be allowed for unusual circumstances when approved by the CEO or CFO prior to the trip.
10. When lodging is required, travelers should stay at the lodging facility nearest to the meeting/training/work location in order to minimize transportation costs.

##### C. Hotel Lodging Receipts

1. A proper receipt for lodging accommodations must accompany each request for reimbursement.
2. A proper receipt is a copy of the registration form generally used by motels and hotels which includes the following information:
  - a) Name of motel/hotel
  - b) Street address of motel/hotel

- c) Town and state of motel/hotel
- d) Telephone number of motel/hotel
- e) Current date
- f) Name of person or persons staying at the motel/hotel
- g) Date(s) of occupancy
- h) Amount and date paid
- i) Signature of agent
- j) Number in the party
- k) Occupancy (single, double, triple, or quadruple)

2. Lodging at other than a Motel/Hotel

A. Private Residence

1. Travelers that stay with friends or relatives at a private residence rather than a motel/hotel will be reimbursed \$25.00 per night with no receipts required.

B. Camper/Trailer

1. Travelers that use personal campers or trailer homes instead of staying in a motel/hotel will be reimbursed \$25 per night with no receipts required, or actual cost up to \$40.00 per night with a signed receipt from a facility such as a campground or trailer park.

## PART IV - Meal Policy

### 1. Allowance Rates

#### A. In-State Travel

1. The basic meal allowance for a 24-hour period of travel is \$41.00, to be computed as follows:  
Breakfast \$10.00  
Lunch 14.00  
Dinner 17.00  
Total \$41.00
2. The allowance rates listed include tax, tips, etc. associated with the meals.

#### B. Out-of-State Travel

1. The basic meal allowance for a 24-hour period of travel is \$46.00, to be computed as follows:  
Breakfast \$ 10.00  
Lunch 14.00  
Dinner 22.00  
Total \$46.00

#### C. Out-of-State Travelers Who Come to Utah

1. When UCIP pays for an out-of-state person to travel to Utah, the traveler may be reimbursed up to the out-of-state meal per-diem amounts shown above.
2. Exceptions may be allowed for unusual circumstances when approved by the CEO or CFO prior to the trip.

#### D. Tier I Premium Locations

1. The Tier I Premium Locations are:  
Anchorage – Anchorage City Limits only  
Chicago – Includes Cook and Lake Counties  
Hawaii – Includes the islands of Hilo, Kauai, Maui, Oahu, Lanai, and Molokai  
New York City – Also includes the Bronx, Kings, Queens, and Richmond Cities  
San Francisco – Includes San Francisco County  
Seattle – Includes King County
2. For meals in Tier I Locations the traveler may choose to accept the per diem rate for out-of-state travel or to be reimbursed at the actual meal cost, with original receipts, up to \$66 per day.
3. The traveler may choose different reimbursement methods during the trip; however, the same method of reimbursement must be used for an entire day.
4. The traveler will qualify for premium location rates on the day travel begins and/or the day travel ends only if the trip is of sufficient duration to qualify for all meals on those days.
5. Reimbursement is for the traveler only. If more than the traveler's meal is charged on a receipt, this must be deducted to reflect the traveler's costs only.
6. Actual meal cost includes tax and tip.
7. Alcoholic beverages are not reimbursable.

#### E. Tier II Premium Locations

1. The Tier II Premium Locations are:  
Atlanta – Fulton, Dekalb, and Cobb Counties  
Baltimore – Baltimore City only  
Boston – Includes Suffolk County and City of Cambridge

Dallas – Includes Dallas County

Los Angeles – Includes Los Angeles, Orange, and Ventura Counties (except the City of Santa Monica)

San Diego – Includes San Diego County

Washington, DC – Includes the cities of Alexandria, Falls Church and Fairfax, and the counties of Arlington and Fairfax in Virginia; and the counties of Montgomery and Prince George's in Maryland.

2. The traveler may choose to accept the per diem rate for out-of-state travel or to be reimbursed at the actual meal cost, with original receipts, up to \$57 per day.
3. The traveler may choose different reimbursement methods during the trip; however, the same method of reimbursement must be used for an entire day.
4. The traveler will qualify for premium location rates on the day travel begin and/or the day travel ends only if the trip is of sufficient duration to qualify for all meals on those days.
5. Reimbursement is for the traveler only. If more than the traveler's meal is charged on a receipt, this must be deducted to reflect the traveler's costs only.
6. Actual meal cost includes tax and tip.
7. Alcoholic beverages are not reimbursable.

#### F. Complimentary Meals

1. Complimentary meals of a hotel, motel, and/or association and meals included in the conference registration costs are deducted from the premium location allowance as follows:

Tier I Premium Locations:

If breakfast is provided, deduct \$15 = \$51;

If lunch is provided, deduct \$20 = \$46;

If dinner is provided, deduct \$31 = \$35.

Tier II Premium Locations:

If breakfast is provided, deduct \$13 = \$44;

If lunch is provided, deduct \$17 = \$40;

If dinner is provided, deduct \$27 = \$30.

#### 2. Allowance Computation

##### A. The Day Travel Begins

1. The meal reimbursement the traveler is entitled to is determined by the time of day he leaves his home. (Travelers living on the Wasatch front are allowed 1 to 2 hour's time for travel and reporting for boarding prior to the scheduled departure time. Travelers may be required to be at the airport earlier to go through security.) The 24-hour period is divided into four quarters for making the determination:

			In-State	Out-of-State
1st Quarter	12:00 A.M. – 5:59 A.M.	B,L,D	\$41.00	\$46.00
2nd Quarter	6:00 A.M. – 11:59 A.M.	L,D	\$31.00	\$36.00
3rd Quarter	12:00 P.M.– 5:59 P.M.	D	\$17.00	\$22.00
4th Quarter	6:00 P.M. – 11:59 P.M.	No Meals	\$0	\$0

\* B=Breakfast, L=Lunch, D=Dinner

##### B. Days at the Location

1. The traveler is entitled to the total meal allowance, as described above. This is reduced by any complimentary meals or meals included in function registration costs. (See Complimentary Meals and Meals Included in a Registration Fee in this policy.)



C. The Day the Travel Ends –

1. The meal reimbursement the traveler is entitled to is determined by the time of day he returns to his home. The 24-hour period is divided into four quarters for making the determination:

			In- State	Out-of-State
1st Quarter	12:00 A.M. – 6:00 P.M.	No Meals	\$0	
2nd Quarter	6:01 A.M. – 12:00 P.M.	B	\$10.00	\$10.00
3rd Quarter	12:01 P.M. – 6:00 P.M.	B, L	\$24.00	\$24.00
4th Quarter	6:01 P.M. – 11:59 P.M.	B, L, D	\$41.00	\$46.00

\* B=Breakfast, L=Lunch, D=Dinner

D. Tips and Tax on Meals

1. Tips and tax on meals are included in the per diem amount.

E. Allowances for Non-Overnight Trips

1. Under the following conditions an employee may be authorized by the CEO to receive a taxable\* meal allowance when their destination is at least 100 miles from their home and they do not stay overnight.
2. Breakfast – When the individual leaves their home base before 6:00 a.m.
3. Lunch – When the trip meets one of the following conditions:
  - a. The trip is of such duration as to warrant entitlement to breakfast and dinner.
  - b. The traveler leaves their home base before 10:00 a.m. and returns after 2:00 p.m.
  - c. The CEO provides approval based on unusual circumstances.
4. Dinner – When the individual returns after 5:59 p.m.
5. A meal allowance shall not be claimed or authorized for any complimentary meal(s) received by the employee.

\*Required by IRS regulations for travel without overnight lodging.

F. Complimentary Meals

1. Complimentary meals of a hotel, motel, and/or association, and meals included in the registration cost are deducted from the total daily meal allowance.
2. Meals provided on airlines will not reduce the meal allowance.
3. Continental breakfasts will not reduce the meal allowance. Please Note: For breakfast, if a hot food item is offered, it is considered a complimentary meal, no matter how it is categorized by the hotel/conference facility. The meal is considered a “continental breakfast” if no hot food items are offered.

G. Meals Included in a Registration Fee

1. The value of meals included in the registration for a function will be deducted according to the allowances listed above.
2. Continental breakfasts will not reduce the meal allowance.

H. Foreign Countries

1. The traveler may choose to accept the per diem rate for out-of-state travel or to be reimbursed the actual meal cost, with original receipts, not to exceed the United States Department of State Meal and Incidental (M&IE) rate for their location.
2. The traveler may combine reimbursement methods during a trip; however, he/she must use the same method of reimbursement for an entire day.
3. Reimbursement is for the traveler only.

4. If more than the traveler's meal is charged on a receipt, this must be deducted to reflect the traveler's costs only.
5. Actual meal cost includes tax and tip.
6. Alcoholic beverages are not reimbursable.

## PART V - Incidental Expense Policy

### 1. Reimbursable Incidental Expenses

#### A. Gratuities/Tips

1. Gratuities/Tips for various services such as assistance with baggage, maid service and bellman may be reimbursed up to a combined maximum of \$5.00 per day.
2. Allowances for meal reimbursements are inclusive of tax and tips and should not be reimbursed as incidental expenses.

#### B. Ground Transportation

1. Ground transportation expense for all official business use of taxi, bus, and other ground transportation will be reimbursed at actual cost.
2. Ground transportation for non-UCIP business use is not reimbursable.

#### C. Parking Expense

1. If the traveler uses a private vehicle or rental vehicle on official UCIP business and is reimbursed for mileage, parking charges may be reimbursed as an incidental expense.
2. Airport parking reimbursement is limited to the long-term parking rate at the airport the traveler is departing from.
3. Hotel parking will be reimbursed as an incidental expense if it is not included on the hotel bill, in which case it will be reimbursed as lodging expense.

#### D. Registration

1. Registration fees for conferences or courses should be paid in advance by the CFO.
2. If the traveler must pay the registration when they arrive, the traveler may use a UCIP business credit card if one is issued to them, or may be reimbursed the registration as an incidental expense.

#### E. Laundry

1. Actual laundry expenses up to \$18 per week will be allowed for trips in excess of six consecutive nights, beginning after the sixth night out.

#### F. Miscellaneous

1. An amount of \$5 per day will be allowed for travelers away in excess of six consecutive nights, beginning after the sixth night out. This amount is intended to cover other miscellaneous incidentals not included in this policy.
2. This allowance is not available for travelers attending conferences.

### 2. Documentation for Incidental Expenses

#### A. Receipts

1. Original receipts should be provided whenever possible.
2. A completed Expense Report signed by the traveler in lieu of original receipt is acceptable for documenting expenses of \$20 or less.
3. Reimbursement of individual incidental expenses of more than \$20 without an original receipt must be approved by the CEO.

## PART VI - Reimbursement Procedure

### 1. Reimbursement from UCIP

#### A. Expense Reimbursement Request

1. Travelers must submit a UCIP Expense Statement to receive reimbursement from UCIP under this policy.
2. The form must have the traveler's original signature verifying the expenditures.

#### B. Receipts

1. Original receipts should be provided with the Expense Statement whenever possible.
2. A completed Expense Statement signed by the traveler in lieu of original receipt is acceptable for documenting expenses of \$20 or less.
3. Reimbursement of individual expenses of more than \$20 without an original receipt must be approved by the CEO.

#### C. Reimbursement Approval

1. With the exception of the CFO, all travel expense vouchers must be approved by the CFO.
2. If the traveler is the CFO, he/she should sign as the traveler but have the CEO sign for approval.

### 2. Reimbursement by a Third Party

#### A. Third Party Reimbursement to UCIP

1. If a third party will reimburse travel related expenses of an employee that travels on UCIP time or for UCIP business, the traveler may seek reimbursement from UCIP and assist with UCIP's reimbursement by the third party.
2. This option should be used if the third party reimbursement is less than what would be allowed by this policy.
3. Employee should submit a UCIP Expense Statement in accordance with section 1.A. above for reimbursement from UCIP.
4. Employee must provide UCIP all documentation required by the third party for reimbursement.

#### B. Third Party Reimbursement Directly to Employee

1. If a third party will reimburse the travel related expenses of an employee that travels on UCIP time or for UCIP business, the employee may seek direct reimbursement from the third party.
2. If the employee is reimbursed directly from the third party, documentation of such reimbursement must be provided to the CFO to assure there has been no duplication of reimbursement, and to retain for tax audit purposes.
3. In these instances, the maximum that the employee may be reimbursed for meals without tax consequence is the federal meal and incidental per diem rate (M&IE) for their travel destination.
4. If the amount reimbursed by the third party is greater than allowed by this policy, the difference should be returned to the third party by the employee. If retained by the employee, the amount in excess of this policy must be included in the taxable income on the W-2 of the employee.

#### C. Third Party Reimbursement to Employee When UCIP has Reimbursed Expenses

1. If an employee receives reimbursement from a third party for expenses that have been reimbursed by UCIP under this policy, the employee must deposit the total third party reimbursement with the CFO as a refund of expenditure.

#### D. Exceptions to Reimbursement Policy



1. If unique circumstances may prevent a traveler or from following this policy, a request for an exception may be made to the CEO.

#### PART VII - Advances Policy

##### 1. Advance Reimbursement of Expected Expenses

###### A. Meal & Incidental Per Diem Advances

1. Advances for meals and incidentals are available at the discretion of the CFO.
2. If the traveler has changes to their travel and are not eligible for reimbursement in the amount of the advance, the amount in excess of the advance will be deducted from other reimbursable expenses submitted for the trip, or on future Expense Statements at the discretion of the CFO.

###### B. Exceptions

1. Any exception to this policy must be approved in writing by the executive director or designee.
2. If an advance has been made which was in excess of the actual expense, and the excess amount may not be recoverable for any reason, the CFO shall notify the Board of Trustees at their next meeting of such circumstance.

Appendix A

In-State Hotel Rate Table

Beaver	\$75.00 plus tax
Blanding	\$75.00 plus tax
Bluff	\$90.00 plus tax
Brigham City	\$80.00 plus tax
Bryce Canyon City	\$75.00 plus tax
Cedar City	\$80.00 plus tax
Duchesne	\$80.00 plus tax
Ephraim	\$75.00 plus tax
Farmington	\$85.00 plus tax
Fillmore	\$75.00 plus tax
Garden City	\$80.00 plus tax
Green River	\$85.00 plus tax
Heber	\$85.00 plus tax
Kanab	\$85.00 plus tax
Layton	\$85.00 plus tax
Logan	\$85.00 plus tax
Moab	\$100.00 plus tax
Monticello	\$80.00 plus tax
Ogden	\$85.00 plus tax
Park City / Midway	\$100.00 plus tax
Price	\$75.00 plus tax
Provo / Orem / Lehi / American Fork / Springville	\$85.00 plus tax
Roosevelt / Ballard	\$90.00 plus tax
Salt Lake City Metropolitan Area & Tooele	\$100.00 plus tax
St George / Washington / Springdale / Hurricane	\$85.00 plus tax
Torrey	\$85.00 plus tax
Tremonton	\$90.00 plus tax
Vernal	\$95.00 plus tax
All Other Utah Cities	\$70.00 plus tax

## **ARTICLE 15. Conflict of Interest of Defense Counsel.**

- 15.1 Defense provided to Members by the Pool under the Bylaws Coverage Addendum shall be provided by attorneys listed on the UCIP Defense Attorney list recommended by the Litigation Management Committee and approved by the Board of Trustees.
- 15.2 As the UCIP defense counsel is provided to assist the County Attorney in fulfilling their statutory obligation to defend officers and employees of the county under U.C.A. 63G-7-902 and 17-18a-5-501, UCIP defense counsel must be approved by the Member County Attorney. If the Member County Attorney waives the use of UCIP defense counsel by not approving defense counsel selected by UCIP from the UCIP Defense Attorney list, UCIP will owe no obligation to provide defense counsel to the Member or any of its officers or employees.
- 15.3 Attorneys listed on the UCIP Defense Attorney list shall not represent or consult with any plaintiff in any civil action in which any defendant is a UCIP Member.
- 15.4 Attorneys employed by, or associated with law firms listed on the UCIP Defense Attorney List shall not represent or consult with any party in a civil action adverse to any person or entity covered by UCIP.
- 15.5 Attorneys employed by, or associated with, law firms listed on the UCIP Defense Attorney List shall not represent or consult with any defendant in a criminal action prosecuted by the County Attorney's Office of any Member County.
- 15.6 Attorneys listed on the UCIP Defense attorney list shall not represent or consult with any elected official or employee of any Member County in their official or individual capacity without the express consent of UCIP. Attorneys listed on the UCIP Defense Attorney list shall agree that such consent may place them in a conflict of interest position which would exclude them from consideration of being assigned as defense counsel on actions filed against the elected official or the Member with which they serve.
- 15.7 Conflicts as described above may be waived only after full disclosure to, and written agreement of, the involved Member and UCIP.





## Utah Counties Indemnity Pool

### UNMANNED AIRCRAFT ENDORSEMENT

This endorsement attaches to and forms part of Addendum No. UCIP-16.09.01.

Notwithstanding **Part III GENERAL COVERAGE EXCLUSIONS**, Section K,

1. Subject to the terms, conditions and limits of liability of the ADDENDUM and the terms, conditions, exclusions and limits of liability of this Endorsement, the exclusion to operation or use or entrustment to others of an aircraft does not apply to UNMANNED AIRCRAFT with respect to the liability of a COVERED PERSON for BODILY INJURY, PERSONAL INJURY or PROPERTY DAMAGE caused by an OCCURRENCE and arising out of the ownership, maintenance or use of the UNMANNED AIRCRAFT.
2. Coverage is provided under this Endorsement only if all of the following conditions are met:
  - A. The Unmanned Aircraft was scheduled with the Pool prior to the Occurrence resulting in a Claim. For any Unmanned Aircraft not scheduled with the Pool at the time of Occurrence resulting in a Claim, a sublimit shall apply of \$100,000 for defense of the claim only.
  - B. Ownership, maintenance and use of the UNMANNED AIRCRAFT complies with all applicable laws, regulations, requirements and guidelines of the FEDERAL AVIATION ADMINISTRATION and any other regulatory authority, including but not limited to laws, regulations, requirements and guidelines concerning obtaining and maintaining any Certificate of Waiver or Authorization or other license, permit, waiver, certificate or other authorization; registration and marking of the UNMANNED AIRCRAFT; training, certification and medical condition of the UNMANNED AIRCRAFT operator; maintaining visual line of sight by the operator; using a visual observer; approved scope, place and time of operation; maximum speed and altitude of flight; maximum weight of the UNMANNED AIRCRAFT (including everything on board); airworthiness, inspection and maintenance of the UNMANNED AIRCRAFT and any associated equipment, software or other elements including communication links and components that control or otherwise are used to maintain or operate the UNMANNED AIRCRAFT; and preflight familiarization, inspection and actions.
  - C. Maintenance and use of the UNMANNED AIRCRAFT is conducted within the scope of use approved by the MEMBER and in accordance with any requirements or guidelines established by the MEMBER.
3. Coverage under this Endorsement does not apply to claims caused by hijacking or any unlawful seizure or wrongful exercise of control of the UNMANNED AIRCRAFT (including any attempt at such seizure or control) by any person, including but not limited to

claims arising while the UNMANNED AIRCRAFT is outside the control of the COVERED PERSON by reason of such hijacking, unlawful seizure or wrongful exercise of control. The UNMANNED AIRCRAFT shall be deemed to have been restored to the control of the COVERED PERSON on the safe return of the UNMANNED AIRCRAFT to the COVERED PERSON at an airfield or off-airport location within the COVERAGE TERRITORY that is entirely suitable for the operation of the UNMANNED AIRCRAFT (such safe return shall require that the UNMANNED AIRCRAFT be parked with engines shut down and under no duress).

4. The following definitions apply to this Endorsement:

- A. FEDERAL AVIATION ADMINISTRATION means the duly constituted authority of the United States of America having jurisdiction over governmental aircraft operations, or its duly constituted equivalent in any other country.
- B. UNMANNED AIRCRAFT means an aerial vehicle that is not controlled by a person from within or on the aerial vehicle.

Other terms in this Endorsement that are capitalized and appear in bold have the same meaning as the meaning assigned to them in the body of the COVERAGE AGREEMENT.

Subject otherwise to all terms, clauses and conditions of this ADDENDUM.

## **Utah Counties Indemnity Pool**

### **TERRORISM ENDORSEMENT**

This endorsement attaches to and forms part of Addendum No. UCIP-16.09.01, Part VII  
LIABILITY COVERAGE SECTION.

Part III General Coverage Exclusions, paragraph G, excluding any act of terrorism does not  
apply to the first \$3,000,000 per occurrence for General Liability, Law Enforcement Liability  
and Public Officials claims.

Subject otherwise to all terms, clauses and conditions of this ADDENDUM.





a. **Defense, Judgment and Settlement**

- (i) The POOL has the right and duty to provide defend any SUIT against the COVERED PARTY claiming DAMAGES for which coverage is afforded under this ADDENDUM for an OCCURRENCE or WRONGFUL ACT, even if any of the allegations of the SUIT are groundless, false, or fraudulent, and may make such investigation of any OCCURRENCE, WRONGFUL ACT and settlement of any CLAIM or SUIT as it deems expedient. No defense will be provided for CLAIMS made against a COVERED PARTY in his or her personal capacity. The POOL has the right to select counsel; however, a COVERED PARTY may hire co-defense counsel, at COVERED PARTY's expense, to assist in the defense of CLAIMS, provided the attorney selected by the POOL shall be lead counsel. The POOL's duty to defend shall arise when the complaint or CLAIM alleges facts, which would obligate the POOL to indemnify the COVERED PARTY if the alleged facts were proven. The Pool's duty to defend is meant to provide the MEMBER County Attorney with assistance in their obligation to defend MEMBER officials and employees under U.C.A. 63G-7-902 and 17-18a-5-501. If the MEMBER County Attorney does not accept the assistance of counsel selected by the Pool, it will be considered a waiver of the duty to defend by the MEMBER, and the MEMBER and any COVERED PARTY shall have no right to defense provided by the POOL. The POOL will only be responsible for payment of that portion of a settlement or judgment, which relates to CLAIMS for which coverage is afforded under the terms of this ADDENDUM. Provided, however, the POOL shall not be obligated to pay any settlement or judgment or to defend any SUIT after the applicable Limits of Coverage have been exhausted.
- (ii) The Limits of Coverage shall include all costs, attorney's fees and expenses awarded to an adverse party in a litigated or contested CLAIM. All costs, attorney's fees and expenses incurred in the defense of a litigated or contested CLAIM, shall be excess of the Limits of Coverage set forth.
- (iii) In the event of bankruptcy or insolvency of the MEMBER, such bankruptcy or insolvency may not diminish the coverage provided by this Section regarding third parties. If execution against the MEMBER is returned unsatisfied, an action may be maintained against the POOL to the extent that the liability is covered by this Section.



# RISK MANAGEMENT WORKSHOP

BRYCE CANYON, UT- 8/31/2016-9/1/2016

Come & join the Utah Counties Indemnity Pool team as we host our annual *Risk Management Workshop* in beautiful Bryce Canyon, UT. The workshop will be held August 31 to September 1 & will include topics ranging from *The Chemistry of Stress and Success in the Workplace* to a Q & A segment with Risk Management experts covering a wide variety of topics. For more information or to register please click below.

## REGISTRATION DETAILS

Bryce Canyon City, UT | Best Western Ruby's Inn 26 S  
Main Bryce Canyon City, UT 84764 Wednesday, August  
31, 2016 at 8:00 AM | Thursday, September 1, 2016 at  
3:00 PM (MDT)

Registration is \$50. [REGISTER](#)

**UCIP Room Block at Ruby's:** Rate: \$75

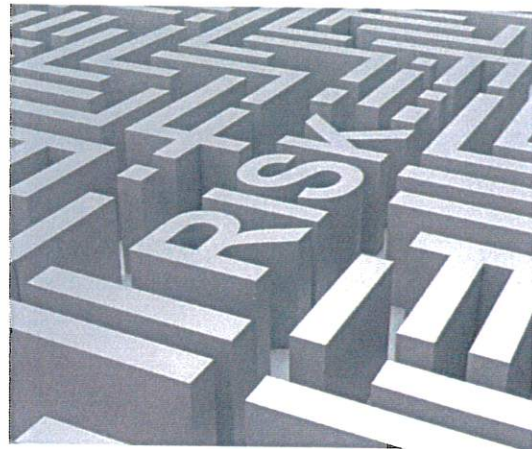
[Room block extended to August 22, 2016](#)

[Make a Reservation](#) Enter Group/Block Code: **27G**

Call to Make a Reservation 1.866.866.6616

Be sure to say: "I need to book a room inside a group block"

The group block name is *UCIP*.



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## **TRAINING SCHEDULE**

### **Wednesday, August 31**

8:00 Breakfast

8:30 Welcome and Introductions

9:00 Promoting a Risk Management Mindset

10:30 Networking Break

11:00 Understanding the Risks of Different Employee Types

12:30 Lunch

1:15 Impact of New State and Federal Regulation

2:15 Lessons Learned from Loss

3:15 Networking Break

2:45 Use and Regulation of Drones by Local Government Entities

### **Thursday, September 1**

8:00 Breakfast

8:30 The Chemistry of Stress and Success in the Workplace

10:00 Third Party Considerations

11:30 Lunch

12:00 Ask a Risk Management Expert







**County Reinsurance, Limited**

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**Annual Report  
2015**





# *About County Reinsurance, Limited*

County Reinsurance, Limited (CRL) is a member-owned reinsurance company. The company was formed in 1997 by county associations looking for a better way to provide reinsurance to their self-insured pools. The National Association of Counties (NACo) and state association executives played a critical role in the formation of the company.

CRL is organized as a captive insurance company and is domiciled in the state of Vermont. The company's legal structure as a mutual insurance company means that the members of the company own the company. In addition, CRL is organized as a non-profit company and is exempt from state and federal income taxes. All CRL members are also organized as non-profit companies.

CRL provides property, liability, and workers' compensation reinsurance to its members. As a reinsurance company, CRL does not provide direct coverage or state approved "admitted" policies. In several instances CRL enters into reinsurance agreements with a state-approved insurance company to meet state regulatory requirements for an "admitted" company. In those instances, CRL Members receive a policy from an insurance company admitted to do business in their particular state, and CRL reinsures that state-approved insurance company.

CRL maintains an administrative office in Clemmons, North Carolina. Questions about CRL may be directed to Philip E. Bell, Executive Director, at (336) 354-4053.



# *Letter to Members*

Dear Members:

We are pleased to present County Reinsurance, Limited's (CRL's) Annual Report for 2015. Here are the major highlights of the year:

- The Mississippi Association of Supervisors Insurance Trust joined CRL for liability business on April 1, 2015.
- The County Risk Sharing Authority joined the CRL Property Program on May 1, 2015.
- The Kentucky Association of Counties All Lines Fund joined CRL's Cyber Liability Program on July 1, 2015.
- Net Premiums Earned increased from \$26,621,300 to \$29,449,900, a 10.6% increase. Most of this increase can be attributed to the new members mentioned above.
- The company had operating income of \$1,930,400 for the year. Investment income was \$1,665,300, resulting in Net Income of \$3,595,700. The operating income was a combination of positive results in the current year, negative loss development on liability and property business in prior years, and positive loss development on workers' compensation business in prior years. The investment income was primarily interest income.
- Members' Equity increased from \$44,866,400 to \$48,755,200, an 8.7% increase.

We discuss these results in more detail in the following pages.

Please let us know if you have any comments or questions.

  
Ron Lethgo  
Chair of the Board

  
Philip E. Bell  
Executive Director





# Management's Discussion and Analysis

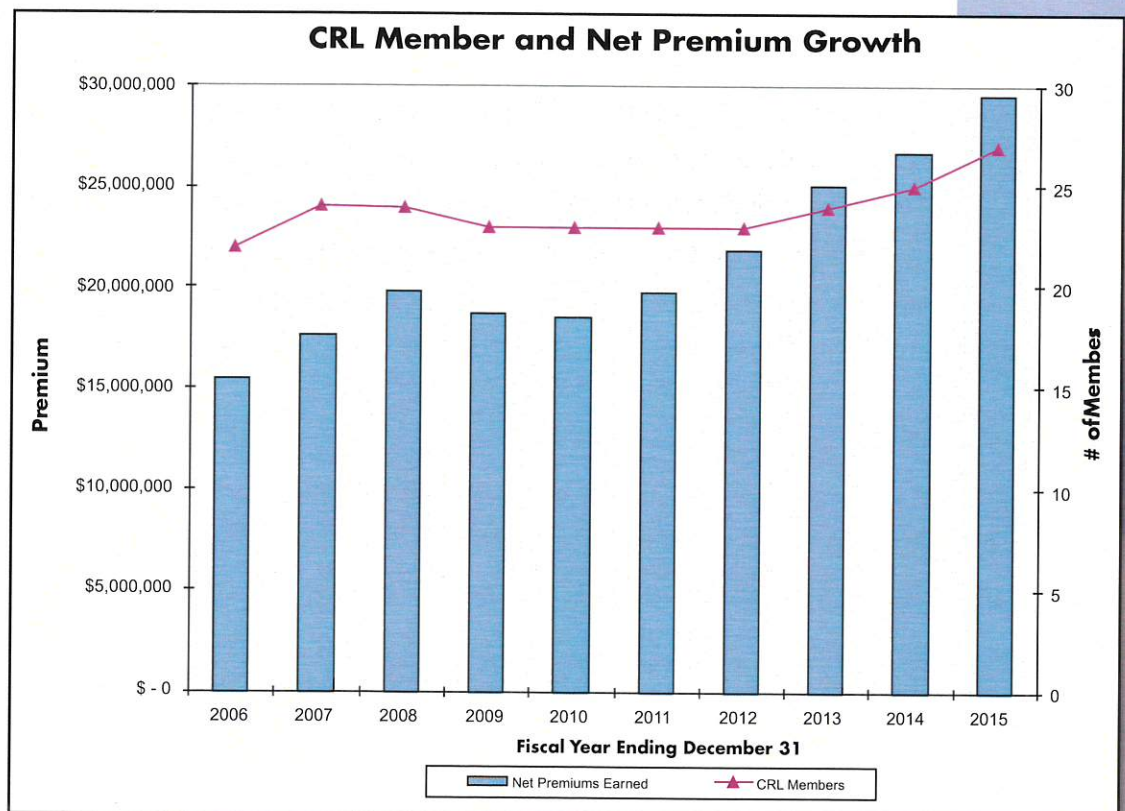
## Underwriting Results

County Reinsurance, Limited's (CRL's) Net Premiums Earned increased from \$26,621,300 to \$29,448,900, a 10.6% increase. Most of this increase can be attributed to the addition of the Mississippi Association of Supervisors Insurance Trust on April 1, 2015, the addition of the County Risk Sharing Authority (CORSA) on May 1, 2015, and the addition of the Kentucky All Lines Fund (KALF) on July 1, 2015.

Chart 1 illustrates changes in CRL's premiums and Members from 2006 to 2015.

The company had Operating Income of \$1,930,400 for the fiscal year ending December 31, 2015. The operating income was a combination of positive results in the current year, negative loss development on liability and property business in prior years, and positive loss development on workers' compensation business in prior years.

Two of CRL's Strategic Goals are Financial Security and Underwriting Excellence. Our Underwriting procedures



*Chart 1*



have been adjusted to achieve a long-term combined ratio of 95%. This adjustment will enhance CRL's financial security, while also addressing the inherent volatility in loss activity for a reinsurer. The combined ratio for 2015 was 93.4%. We have achieved our target in four of the last five years.

Chart 2 shows a summary of the results of the company from 2006 to 2015.

<b>Comparison of Results - 2006 to 2015</b>										
<b>Years Ending December 31,</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Net Premiums Earned	\$15,325,265	\$17,543,593	\$19,654,835	\$18,557,515	\$18,418,749	\$19,684,158	\$21,707,097	\$24,936,553	\$26,621,335	\$29,448,895
Operating Income	\$(687,267)	\$(3,632,387)	\$(3,487,613)	\$(1,101,496)	\$(1,842,451)	\$3,050,397	\$2,521,689	\$(1,742,149)	\$6,141,761	\$1,930,385
Net Investment Income	\$3,828,176	\$5,309,227	\$(6,446,767)	\$4,027,917	\$5,669,136	\$7,110,442	\$5,525,120	\$(1,232,059)	\$6,534,378	\$1,665,312
Net Income	\$3,140,909	\$1,676,840	\$(9,934,380)	\$2,926,421	\$3,826,685	\$10,160,189	\$8,046,809	\$(2,974,207)	\$12,676,139	\$3,595,697
<b>At December 31,</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total Assets	\$84,760,980	\$107,064,249	\$109,345,608	\$121,330,105	\$137,891,637	\$155,589,163	\$166,187,749	\$169,554,275	\$190,408,116	\$205,274,030
Total Liabilities	\$65,610,922	\$85,049,651	\$101,651,901	\$109,832,427	\$121,649,287	\$129,007,227	\$131,508,531	\$137,536,061	\$145,541,684	\$156,518,801
Total Member Equity	\$19,159,058	\$22,014,598	\$7,693,707	\$11,497,678	\$16,242,350	\$26,581,936	\$34,679,218	\$32,018,214	\$44,866,432	\$48,755,229
CRL Members	22	24	24	23	23	23	23	24	25	27

**Chart 2**

## Investment Results

CRL has a comprehensive Investment Policy designed to support its primary underwriting function. Most of CRL's assets are in investment grade fixed income products. CRL also invests in Risk Assets. At CRL, we define Risk Assets as anything outside of investment grade fixed income products, including domestic and international equity investments, high yield bonds, and international bonds. Our current investment policy allows investment in Risk Assets at no more than 25% of Surplus. On December 31, 2015, CRL held approximately 20.7% of Surplus in Risk Assets.

CRL's portfolio benchmark is customized and market-weighted to better represent the strategic characteristics of the portfolio, which in turn supports CRL's liabilities. With the inclusion of Risk Assets, the custom portfolio benchmark now consists of a fixed income component representing the core investment grade fixed income portfolio and a Risk Asset component. For the year, CRL's investment portfolio produced a return of 1.00% compared to a benchmark return of 0.67%.

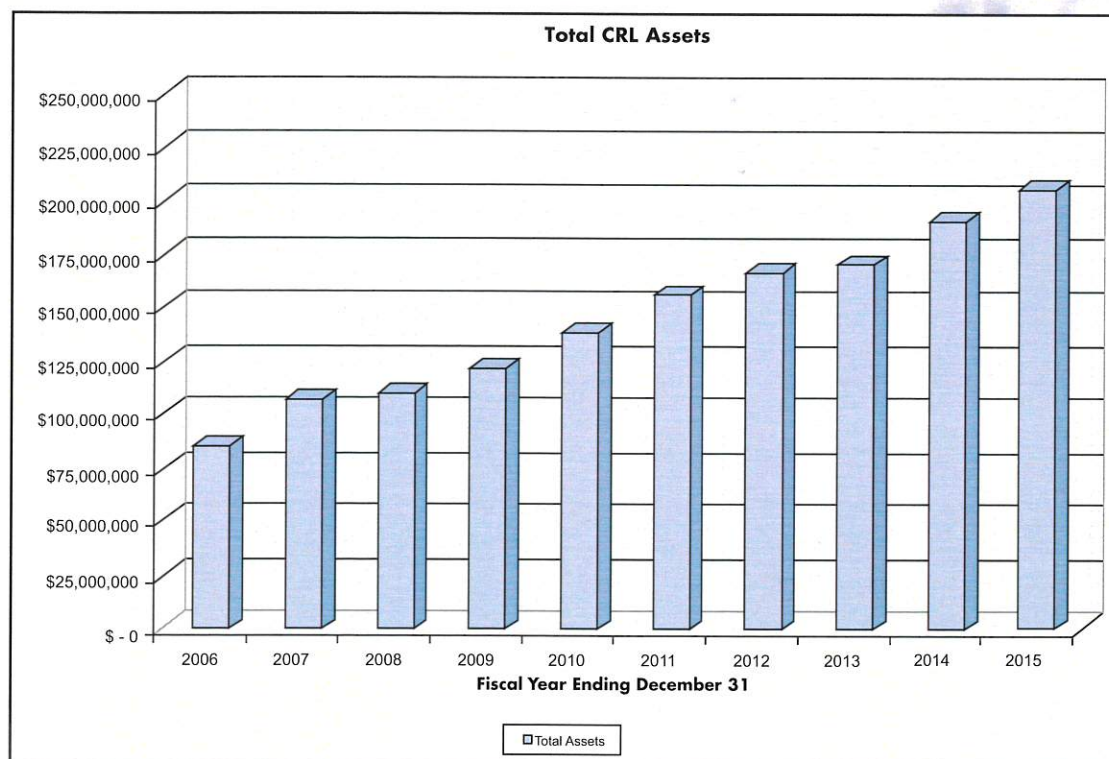




Chart 3 illustrates the growing assets of the company.

## Net Income

CRL's Net Income for the year ending December 31, 2015 was \$3,595,700. This included Operating Income of \$1,930,400 and Investment Income of \$1,665,300.



*Chart 3*

## Contributed Capital

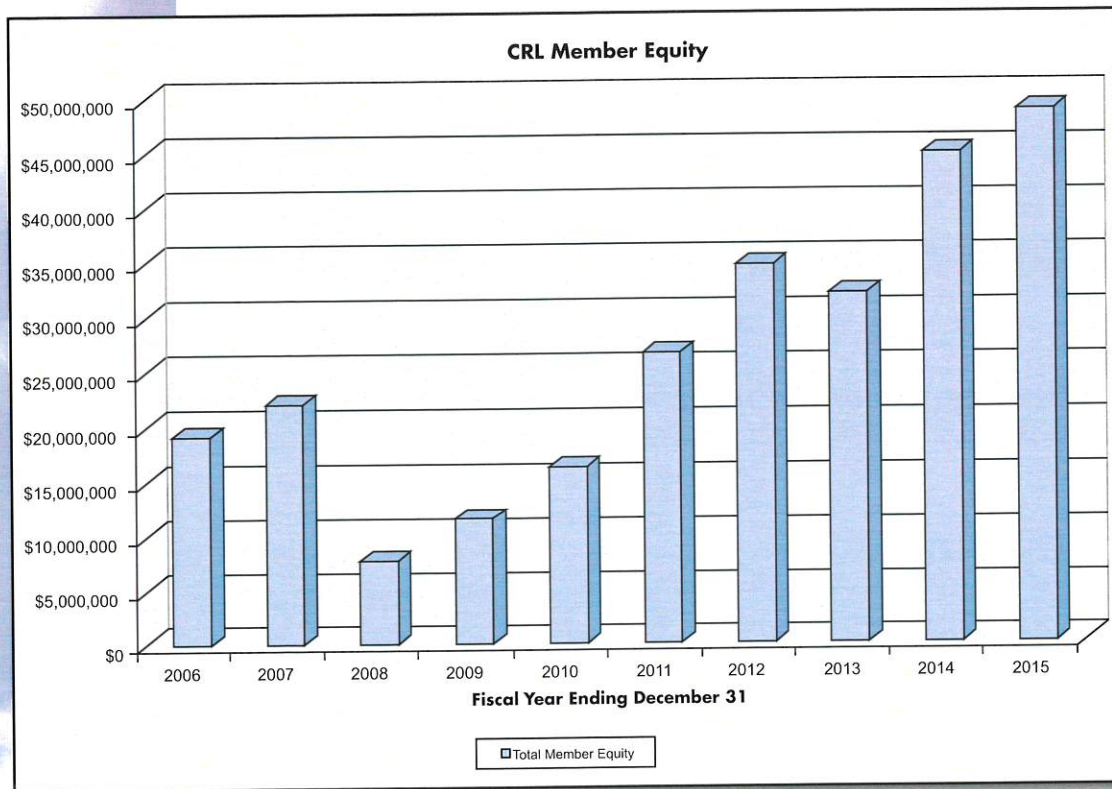
CRL receives contributed capital from two primary sources. First, the company requires a minimum ratio of capital to premium for each member. Current members may be required to contribute additional capital if a member's capital drops below minimum ratios. Second, new members are required to contribute this capital upon joining the company, as a condition of membership. This requirement helps maintain CRL's surplus at acceptable levels, but also gives an ownership incentive to the members of the company. CRL received \$293,100 in contributed capital during 2015.



## Members' Equity

Members' Equity increased from \$44,866,400 to \$48,755,200 in 201, an 8.7% increase. This change came from Member Contributions of \$293,100 and Net Income of \$3,595,700.

Chart 4 illustrates the changes in Members' Equity from 2006 to 2015.



*Chart 4*



## Reinsurance

CRL offers property, liability, and workers' compensation reinsurance to its members. The company has partnerships with additional reinsurance companies to add stability and capacity to its overall program.

The company currently retains liability business between a member's self-insured retention and up to \$3,000,000. The company retrocedes premiums and claims for losses above this amount to Lexington Insurance Company. Lexington Insurance Company has an A.M. Best rating of A (Excellent).

The company currently retains workers' compensation business between the member's self-insured retention and up to \$3,000,000. The company also retains an aggregate amount of \$1,500,000 excess of \$3,000,000. Safety National Casualty Corporation (SNCC) provides the remaining statutory limits for the program. In those states that require an admitted company, SNCC issues a policy directly to the CRL Member, and CRL reinsures SNCC for its portion of the premium and losses. SNCC has an A.M. Best rating of A+ (Superior).

CRL also provides property reinsurance to ten member pools. CRL currently retains property business between the member's self-insured retention and up to \$2,000,000. The member pools purchase additional reinsurance coverage and limits from additional companies.





## *Members of County Reinsurance, Limited*

Arizona Counties Insurance Pool, *represented by Mr. William Hardy*  
Association County Commissioners of Georgia - Interlocal Risk Management Agency,  
*represented by Mr. Ross King*  
Association County Commissioners of Georgia - Group Self-Insurance Workers'  
Compensation Fund, *represented by Mr. Ross King*  
Association of Arkansas Counties Workers' Compensation Trust,  
*represented by Mr. Chris Villines*  
Association of County Commissioners of Oklahoma Self Insured Group,  
*represented by Mr. Dusty Birdsong*  
Association of County Commissions of Alabama Self-Insurance Fund,  
*represented by Mr. Sonny Brasfield*  
Association of County Commissions of Alabama Self Insurers Fund,  
*represented by Mr. Sonny Brasfield*  
County Risk Sharing Authority, *represented by Mr. David Brooks*  
Kansas County Association Multiline Pool, *represented by Mr. David Luke*  
Kentucky Association of Counties Workers' Compensation Fund,  
*represented by Mr. Mark Miller*  
Kentucky Association of Counties - All Lines Fund, *represented by Mr. Mark Miller*  
Local Government Property and Casualty Fund, *represented by Mr. Robert Wormsley*  
Local Government Workers' Compensation Fund, *represented by Mr. Robert Wormsley*  
Mississippi Association of Supervisors Insurance Trust, *represented by Ms. Leslie Scott*  
Missouri Association of Counties Self-Insured Workers' Compensation Fund,  
*represented by Mrs. Carol Green*  
Nebraska Intergovernmental Risk Management Association,  
*represented by Mr. Craig Nelson*  
Nebraska Intergovernmental Risk Management Association II,  
*represented by Mr. Craig Nelson*  
New Mexico County Insurance Authority Multi-Line Pool, *represented by Mr. Ron Lethgo*  
New Mexico County Insurance Authority Workers' Compensation Pool,  
*represented by Mr. Ron Lethgo*  
Nevada Public Agency Compensation Trust, *represented by Mr. Wayne Carlson*  
Nevada Public Agency Insurance Pool, *represented by Mr. Wayne Carlson*  
North Carolina Association of County Commissioners - Joint Risk Management Agency  
Workers' Compensation Fund, *represented by Mr. Michael Kelly*  
North Carolina Association of County Commissioners - North Carolina Counties Liability  
and Property Joint Risk Management Agency, *represented by Mr. Michael Kelly*  
Pennsylvania Counties Risk Pool, *represented by Mr. John Sallade*  
Pennsylvania Counties Workers' Compensation Trust, *represented by Mr. John Sallade*  
Texas Association of Counties Risk Management Pool, *represented by Mr. Gene Terry*  
Utah Counties Indemnity Pool, *represented by Mr. Johnnie Miller*



## *Directors and Officers of County Reinsurance, Limited*

**MR. RON LETHGO**, Chair  
New Mexico

**MR. MICHAEL KELLY**  
North Carolina

**MR. SONNY BRASFIELD**, Vice Chair  
Alabama

**MR. ROSS KING**  
Georgia

**MRS. CAROL GREEN**, Secretary  
Missouri

**MR. MARK MILLER**  
Kentucky

**MR. CRAIG NELSON**, Treasurer  
Nebraska

**MR. JOHN SALLADE**  
Pennsylvania

**MR. ANDY SARGEANT**, Assistant Treasurer  
USA Risk Group of Vermont, Inc.,  
(Resident Vermont Director)

**MR. GENE TERRY**  
Texas

**MR. DAVE BROOKS**  
Ohio

## *Staff of County Reinsurance, Limited*

**MR. PHILIP E. BELL**  
Executive Director

**MR. BARRETT A. EVANS**  
Regional Claims Manager

**MS. PAMELA E. PADGETT**  
Marketing and Member Services  
Manager

**MR. FRANK K. PETERSON**  
Regional Claims Manager

**MR. BRENT M. WELLS**  
Underwriting Manager

**MS. MARY K. JOHNSON**  
Administrative Assistant

**MS. BREANA L. LEA**  
Reinsurance Analyst





# *Standing Committees of County Reinsurance, Limited*

## **Audit Committee**

Chair: Mr. Ron Lethgo  
Member: Mr. Sonny Brasfield  
Member: Mrs. Carol Green  
Member: Mr. Craig Nelson (Treasurer)  
Member: Mr. John Sallade  
Member: Mr. Gene Terry  
Member: Mr. Bob Wormsley

## **Bylaws Committee**

Chair: Mr. Wayne Carlson  
Member: Mr. Sonny Brasfield  
Member: Mr. Johnnie Miller  
Member: Mr. Craig Nelson  
Member: Mr. Gene Terry

## **Claims Committee**

Chair: Mr. David Uhlman  
Member: Mr. Dusty Birdsong  
Member: Mr. Michael Kelly  
Member: Mr. Craig Nelson  
Member: Mr. John Sallade

## **Investment Committee**

Chair: Mr. Andy Sargeant  
Member: Mr. Dave Brooks  
Member: Mrs. Carol Green  
Member: Mr. Johnnie Miller  
Member: Mr. Mark Miller  
Member: Mr. Mike Rebaleati  
Member: Mr. David Seivers

## **Personnel Committee**

Chair: Mr. Craig Nelson  
Member: Mr. Sonny Brasfield  
Member: Mrs. Carol Green  
Member: Mr. Michael Kelly  
Member: Mr. Ron Lethgo  
Member: Mr. John Sallade

## **Strategic Planning Committee**

Chair: Mr. Ross King  
Member: Mr. Wayne Carlson  
Member: Mr. Ron Lethgo  
Member: Mr. Johnnie Miller  
Member: Ms. Leslie Scott

## **Underwriting Committee**

Chair: Mr. Wayne Carlson  
Member: Ms. Ashley Abercrombie  
Member: Mr. Sonny Brasfield  
Member: Mr. Dave Brooks  
Member: Mr. Ron Lethgo  
Member: Mr. David Luke  
Member: Mr. Johnnie Miller  
Member: Mr. Mark Miller  
Member: Ms. Tracy Seiler

## **Meeting & Agenda Committee**

Member: Mrs. Carol Green  
Member: Mr. David Luke  
Member: Mr. Johnnie Miller  
Member: Mr. Mark Miller  
Member: Mr. John Sallade



# ***Service Providers of County Reinsurance, Limited***

## **Brokerage and Risk Management Services**

*Marsh USA, Inc.*

## **Captive Management and Accounting**

*USA Risk Group of Vermont, Inc.*

## **Claims Management Services**

*Alternative Service Concepts, LLC*

## **Consulting Actuary**

*By the Numbers Actuarial Consulting, Inc.*

## **Financial Auditor**

*Johnson Lambert & Co., LLP*

## **Legal Counsel**

*Morris, Manning & Martin, LLP*

*Primmer Piper Eggleston & Cramer, PC*

## **Investment Advisor**

*Strategic Asset Alliance, Inc.*

## **Investment Manager**

*Asset Allocation & Management, LLC*

## **Cyber Liability Risk Control Services**

*NetDiligence*





County Reinsurance, Limited

Audited Financial Statements

Years ended December 31, 2015 and 2014

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## Report of Independent Auditors

Board of Directors  
County Reinsurance, Limited

We have audited the accompanying financial statements of County Reinsurance, Limited which comprise the balance sheets as of December 31, 2015 and 2014 and the related statements of operations, changes in members' contributions and surplus and cash flows for the years then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Reinsurance, Limited as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Burlington, Vermont  
April 27, 2016

Firm Registration: 092-0000267

# County Reinsurance, Limited

## Balance Sheets

	At December 31,	
	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 5,255,339	\$ 5,271,634
Auction rate securities	350,000	350,000
Fixed-maturity securities, at fair value	182,569,322	168,261,295
Exchange traded funds, at fair value	7,951,137	8,383,738
Mutual funds, at fair value	2,124,600	-
Accrued investment income	922,808	921,278
Premiums receivable	51,439	29,118
Reinsurance recoverable - unpaid losses	4,516,634	5,264,246
Deferred policy acquisition costs	22,854	22,019
Property, furniture and equipment, net of accumulated depreciation	475,347	490,195
Prepaid reinsurance premiums	865,348	947,661
Other assets	169,202	466,932
<b>Total Assets</b>	<u>\$ 205,274,030</u>	<u>\$ 190,408,116</u>
<b>Liabilities and Members' Contributions and Surplus</b>		
<b>Liabilities</b>		
Losses and loss adjustment expenses	\$ 142,869,880	\$ 132,592,789
Unearned premiums	12,942,689	12,249,173
Accounts payable and accrued expenses	66,026	101,593
Premium taxes payable	60,604	58,561
Deferred ceding commission income	579,602	539,568
<b>Total Liabilities</b>	156,518,801	145,541,684
<b>Members' Contributions and Surplus</b>		
Members' contributions	10,820,675	10,527,575
Retained earnings	37,934,554	34,338,857
<b>Total Members' Contributions and Surplus</b>	<u>48,755,229</u>	<u>44,866,432</u>
<b>Total Liabilities and Members' Contributions and Surplus</b>	<u>\$ 205,274,030</u>	<u>\$ 190,408,116</u>

See accompanying notes to the financial statements.

# County Reinsurance, Limited

## Statements of Operations

	Years ended December 31,	
	2015	2014
<b>Underwriting Revenue</b>		
Premiums earned, net of reinsurance	\$ 29,448,895	\$ 26,621,335
Commission income	<u>1,340,857</u>	<u>917,968</u>
Total Underwriting Revenue	30,789,752	27,539,303
<b>Underwriting Expenses</b>		
Losses and loss adjustment expenses	26,963,870	19,754,610
Policy acquisition costs	209,769	204,031
Professional and management fees	287,490	207,302
General and administrative expenses	<u>1,398,238</u>	<u>1,231,599</u>
Total Underwriting Expenses	<u>28,859,367</u>	<u>21,397,542</u>
Operating Income	1,930,385	6,141,761
<b>Investment Income</b>		
Net investment income	1,398,686	5,999,698
Net realized gains on investments	<u>266,626</u>	<u>534,680</u>
Total Investment Income	<u>1,665,312</u>	<u>6,534,378</u>
Net Income	<u>\$ 3,595,697</u>	<u>\$ 12,676,139</u>

*See accompanying notes to the financial statements.*



# County Reinsurance, Limited

## Statements of Changes in Members' Contributions and Surplus

For the years ended December 31, 2015 and 2014

	<u>Members'</u> <u>Contributions</u>	<u>Retained</u> <u>Earnings</u>	Total Members' Contributions and Surplus
Balance at January 1, 2014	\$ 10,355,496	\$ 21,662,718	\$ 32,018,214
Proceeds from members' contributions	172,079	-	172,079
Net income	<u>-</u>	<u>12,676,139</u>	<u>12,676,139</u>
Balance at December 31, 2014	10,527,575	34,338,857	44,866,432
Proceeds from members' contributions	293,100	-	293,100
Net income	<u>-</u>	<u>3,595,697</u>	<u>3,595,697</u>
Balance at December 31, 2015	<u>\$ 10,820,675</u>	<u>\$ 37,934,554</u>	<u>\$ 48,755,229</u>

*See accompanying notes to the financial statements.*

# County Reinsurance, Limited

## Statements of Cash Flows

	Years ended December 31,	
	2015	2014
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 3,595,697	\$ 12,676,139
Add (deduct) items not affecting cash:		
Amortization of bond premium/discount	546,338	660,870
Net realized gains on investments	(266,626)	(534,680)
Depreciation	20,818	21,231
Change in unrealized losses (gains) on assets held at reporting date	3,056,282	(1,981,761)
Changes in assets and liabilities:		
Accrued investment income	(1,530)	(92,833)
Premiums receivable	(22,321)	24,070
Reinsurance recoverable - unpaid losses	747,612	3,308,999
Deferred policy acquisition costs	(835)	(4,530)
Prepaid reinsurance premiums	82,313	(143,241)
Other assets	297,730	(33,667)
Losses and loss adjustment expenses	10,277,091	6,361,488
Unearned premiums	693,516	2,125,067
Accounts payable and accrued expenses	(35,567)	(853,590)
Premium taxes payable	2,043	5,206
Deferred ceding commission income	40,034	367,452
Net cash provided by operating activities	<u>19,032,595</u>	<u>21,906,220</u>

*See accompanying notes to the financial statements.*

# County Reinsurance, Limited

## Statements of Cash Flows - Continued

	Years ended December 31,	
	2015	2014
<b>Cash Flows from Investing Activities</b>		
Cost of investments acquired	(61,363,763)	(59,408,890)
Proceeds from sales and maturities of investments	42,027,743	37,336,157
Cost of property, furniture and equipment purchased	<u>(5,970)</u>	<u>-</u>
Net cash used in investing activities	<u>(19,341,990)</u>	<u>(22,072,733)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from members' contributions	<u>293,100</u>	<u>172,079</u>
Net cash provided by financing activities	<u>293,100</u>	<u>172,079</u>
Net change in cash and cash equivalents	(16,295)	5,566
Cash and cash equivalents, beginning of year	<u>5,271,634</u>	<u>5,266,068</u>
Cash and cash equivalents, end of year	<u>\$ 5,255,339</u>	<u>\$ 5,271,634</u>

*See accompanying notes to the financial statements.*

# County Reinsurance, Limited

## Notes to the Financial Statements

Years ended December 31, 2015 and 2014

### **Note A - Organization and Significant Accounting Policies**

#### *Organization*

County Reinsurance, Limited (CRL or the Company) was incorporated under the laws of the State of Vermont on June 20, 1997 and was issued a Certificate of Authority permitting it to transact the business of an industrial insured captive insurance company by the State of Vermont Department of Financial Regulation (the Department) on June 24, 1997. CRL commenced operations on July 1, 1997. CRL assumes various coverages from 26 and 24 public entity pools at December 31, 2015 and 2014, respectively. These public entity pools provide direct coverages to policyholders located in Alabama, Arkansas, Arizona, Georgia, Kansas, Kentucky, Mississippi, Missouri, Nebraska, Nevada, North Carolina, New Mexico, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas and Utah at December 31, 2015. As of December 31, 2015 and 2014, premiums from the three largest pools represent approximately 27% and 29% of gross written premiums, respectively.

#### *Basis of Reporting*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance).

#### *Use of Estimates*

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Subsequent Events*

The Company has evaluated subsequent events for disclosure and recognition through April 27, 2016, the date which these financial statements were available to be issued, and all events identified have been reflected within these statements.

#### *Fair Value Measurements*

CRL's estimates of fair value for financial assets are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable.



## County Reinsurance, Limited

### Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

#### **Note A - Organization and Significant Accounting Policies (Continued)**

In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The Company recognizes transfers between levels at the end of the reporting period. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs.

Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

#### *Fair Value Option*

CRL has adopted the fair value option accounting guidance for its investment portfolio. As a result CRL measures its investment portfolio at fair value, with changes in unrealized gains and losses recorded directly to the statement of operations as a component of net investment income.

#### *Investments*

Investments held by CRL at December 31, 2015 and 2014 consist of U.S. Treasury notes, obligations of U.S. government sponsored enterprises, corporate bonds, asset-backed securities, collateralized mortgage obligations, commercial mortgage-backed securities, municipal bonds, exchange traded funds and mutual funds. Investments are reported at their estimated fair values with unrealized gains and losses reported as a component of investment income within the statement of operations. Realized gains and losses on sales of investments are determined using the specific identification method. As more fully described in Note B, CRL holds trust accounts which provide collateral in the form of pledged securities in connection with various policies issued or assumed by the Company.

## County Reinsurance, Limited

### Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

#### Note A - Organization and Significant Accounting Policies (Continued)

##### *Auction Rate Securities*

Auction rate securities are carried at amortized cost, which approximates fair value. In evaluating the fair value of auction rate securities, CRL considers the financial strength and credit rating of each securities' issuer. The investment grade rating of each issuer supports its ability to repay based upon contractual terms. Given CRL's ability to hold the securities until maturity and the issuers' ability to repay, the Company believes amortized cost to be a reasonable estimate of fair value. However, given current market conditions, certain auction rate securities held by CRL "failed" at auction during 2015 and 2014 which decreases the liquidity of these securities. All auction rate securities continued to be current on all required interest payments during 2015 and 2014.

##### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, CRL considers money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are as follows at December 31:

	2015	2014
People's United Bank - operating account	\$ 98,008	\$ 62,313
U.S. Bank - cash & money market accounts	5,157,331	18,774
State Street - cash & money market accounts	-	5,190,547
Total	<u>\$ 5,255,339</u>	<u>\$ 5,271,634</u>

The FDIC insures amounts on deposit with each financial institution up to limits as prescribed by law. The Company holds funds with financial institutions in excess of the FDIC insured amount, however, the Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

##### *Property, Furniture and Equipment*

Depreciation and amortization on property, furniture and equipment is recognized over the estimated service lives of depreciable assets. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes.

##### *Recognition of Premium Revenue*

Premiums assumed are earned ratably over the terms of the policies to which they relate. Premiums assumed relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums. Premiums ceded pursuant to reinsurance agreements are expensed over the terms of the underlying policies to which they relate and are netted against earned premiums. Ceded premiums relating to the unexpired portion of underlying policies are recorded as prepaid reinsurance premiums.

## County Reinsurance, Limited

### Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

#### **Note A - Organization and Significant Accounting Policies (Continued)**

The company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders, unamortized deferred acquisition costs, and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiency reserve has been recorded as of December 31, 2015 and 2014.

##### *Losses and Loss Adjustment Expenses*

The liability for unpaid losses and loss adjustment expenses reported in the financial statements includes case basis estimates of reported losses, plus supplemental amounts for projected incurred but not reported losses (IBNR) calculated based upon loss projections utilizing actuarial studies of the members' own historical loss data for periods prior to and subsequent to the creation of CRL and industry data. In establishing its liability for losses and loss adjustment expenses, CRL utilizes the findings of an independent consulting actuary. Management has recorded its reserves based on the actuary's best estimate and believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of uncertainty associated with the limited population of insured risks, economic conditions, judicial decisions, legislation and others reasons, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

##### *Reinsurance Recoverable - Unpaid Losses*

Reinsurance recoverable is comprised of estimated amounts of losses and loss adjustment expenses unpaid which are expected to be recoverable from reinsurers pursuant to reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used to estimate the related liability for unpaid losses and loss adjustment expenses. Management believes that the reinsurance recoverable as recorded represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount receivable from reinsurers will also change.

## County Reinsurance, Limited

### Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

#### **Note A - Organization and Significant Accounting Policies (Continued)**

CRL relies on facultative reinsurance agreements to limit its insurance risk as described further in Note B. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, CRL would be contingently liable for such amounts. In preparing financial statements, management makes estimates of the amounts recoverable from reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on assessment of factors including management's assessment of the creditworthiness of the reinsurers. Management evaluated the creditworthiness of its reinsurers and determined that no specific valuation allowance was required at December 31, 2015 and 2014.

##### *Reinsurance Recoverable - Paid Losses*

Reinsurance recoverable on paid losses includes amounts of losses and loss adjustment expenses paid by CRL, which are expected to be recoverable from the reinsurers pursuant to reinsurance agreements. Management has determined that no provision for uncollectible reinsurance recoveries is necessary as of December 31, 2015 and 2014.

##### *Commission Income*

Commission income on business ceded to reinsurers and on excess liability and workers' compensation business placed directly by the policyholders through reinsurers are deferred and earned over the terms of the underlying policies to which they relate. Commissions relating to the unexpired portion of the underlying policies in force at the balance sheet date are recorded as deferred ceding commission income.

##### *Deferred Policy Acquisition Costs*

Premium taxes and other costs of acquiring business are deferred and amortized over the terms of the underlying policies to which they relate.

##### *Reclassifications*

Certain balances in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

#### **Note B - Insurance Activity**

CRL assumes various liability coverages from member pools, on an occurrence and a claims-made basis, up to \$11 million inclusive of the individual pool retentions, which range from \$250,000 to \$1,000,000 and the insured corridor layer where applicable. CRL limits its risks to the first \$3 million per occurrence or claim (inclusive of the member retentions) through facultative reinsurance agreements with Lexington Insurance Company (Lexington).



## County Reinsurance, Limited

### Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

#### Note B - Insurance Activity (Continued)

CRL assumes workers' compensation coverage from various public entity pools with limits up to \$3 million per occurrence inclusive of individual pool retentions which range from \$500,000 to \$1,500,000 and the insured corridor layer where applicable. CRL also assumes workers' compensation coverage for several other pools from Safety National Casualty Corporation (SNCC) on an occurrence basis with a limit of up to \$3 million inclusive of the individual pool retentions, which range from \$500,000 to \$850,000 and the insured corridor layer where applicable. In addition, CRL assumes from SNCC a \$1.5 million aggregate corridor in excess of \$3 million for all policies issued to CRL member pools.

Effective July 1, 2012, CRL assumes property coverage from various public entity pools with limits up to \$2 million per occurrence (inclusive of member retentions).

Effective July 1, 2014, CRL assumes the insurance pricing risk related to the placement of certain insurance coverages for members of CRL. These insurance coverages are provided by unrelated insurance carriers for layers which are in excess of the coverage provided by CRL. Differences, if any, between the final premium charged by the excess carriers and the initial quote are retained by CRL and recorded as a component of premium income. During 2015 and 2014, CRL recognized earned premiums of \$408,596 and \$53,259, respectively, which is reported within premiums earned on the Statements of Operations.

CRL holds a trust account with investments totaling \$11,656,497 and \$12,465,721 as of December 31, 2015 and 2014, respectively, for the benefit of United States Fidelity and Guaranty Company. This trust account is for fronted policies offered from 1997 to 2003.

CRL holds a trust account with investments totaling \$20,965,698 and \$23,069,711 as of December 31, 2015 and 2014, respectively, for the benefit of SNCC. This trust account is for fronted policies offered from 2004 to 2013.

CRL holds a trust account with investments totaling \$9,388,944 and \$6,979,776 as of December 31, 2015 and 2014, respectively, for the benefit of the Association of County Commissioners of Georgia Interlocal Risk Management Agency.

CRL holds a trust account with investments totaling \$10,419,789 and \$9,104,523 as of December 31, 2015 and 2014, respectively, for the benefit of the Association of County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund.

CRL holds a trust account with investments totaling \$787,972 and \$639,070 as of December 31, 2015 and 2014, respectively, for the benefit of the Kansas County Association Multiline Pool.

# County Reinsurance, Limited

## Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

### Note B - Insurance Activity (Continued)

A reconciliation of assumed to net premiums, on both a written and an earned basis is as follows:

	2015		2014	
	Written	Earned	Written	Earned
Assumed	\$ 32,450,693	\$ 31,757,177	\$ 31,021,497	\$ 28,896,430
Ceded	(2,225,969)	(2,308,282)	(2,418,336)	(2,275,095)
Net Premiums	<u>\$ 30,224,724</u>	<u>\$ 29,448,895</u>	<u>\$ 28,603,161</u>	<u>\$ 26,621,335</u>

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable are as follows:

	2015	2014
Case-basis reserves	\$ 71,625,687	\$ 64,726,116
IBNR reserves	<u>71,244,193</u>	<u>67,866,673</u>
Gross reserves	142,869,880	132,592,789
Reinsurance recoverable	<u>(4,516,634)</u>	<u>(5,264,246)</u>
Net reserves	<u>\$ 138,353,246</u>	<u>\$ 127,328,543</u>

Losses and loss adjustment expense activity is as follows:

	2015	2014
Liability as of January 1, net of reinsurance recoverable of \$5,264,246 and \$8,573,245	\$ 127,328,543	\$ 117,658,056
Incurred related to:		
Current year	25,048,492	23,076,208
Development of prior years	<u>1,915,378</u>	<u>(3,321,598)</u>
Total incurred during the year	26,963,870	19,754,610
Paid related to:		
Current year	(1,858,935)	(4,213,650)
Prior years	<u>(14,080,232)</u>	<u>(5,870,473)</u>
Total paid during the year	<u>(15,939,167)</u>	<u>(10,084,123)</u>
Liability as of December 31, net of reinsurance recoverable of \$4,516,634 and \$5,264,246	<u>\$ 138,353,246</u>	<u>\$ 127,328,543</u>

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

**Note B - Insurance Activity (Continued)**

The 2015 unfavorable development of priors years is related to the liability and property coverages. Total unfavorable development on liability coverage amounted to \$532,147 and total unfavorable development on property coverage amounted to \$1,787,360. These amounts were partially offset by total favorable development on the workers' compensation coverage of \$404,129.

The 2014 favorable development of prior years is related to the liability and workers' compensation coverages. Total favorable development on liability coverage amounted to \$4,116,169 and total favorable development on workers' compensation coverage amounted to \$524,300. These amounts were partially offset by total unfavorable development on property coverage of \$1,318,871.

# County Reinsurance, Limited

## Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

### Note C - Investments

The cost or amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values for investments in fixed-maturity securities by major security type and exchange traded funds and mutual funds by sector at December 31, 2015 are as follows:

	Cost or <u>Amortized Cost</u>	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>Fixed-maturity securities:</u>				
U.S. Treasury notes	\$ 21,394,708	\$ 197,505	\$ (73,802)	\$ 21,518,411
Obligations of U.S. Government sponsored enterprises	54,310,727	736,984	(506,940)	54,540,771
Corporate bonds	58,638,739	695,705	(907,213)	58,427,231
Asset-backed securities	24,018,923	21,466	(72,073)	23,968,316
Collateralized mortgage obligations	338,693	30,415	(8,027)	361,081
Commercial mortgage-backed securities	12,092,734	128,088	(107,303)	12,113,519
Municipal bonds	<u>11,376,681</u>	<u>276,633</u>	<u>(13,321)</u>	<u>11,639,993</u>
Total fixed-maturity securities	<u>\$ 182,171,205</u>	<u>\$ 2,086,796</u>	<u>\$ (1,688,679)</u>	<u>\$ 182,569,322</u>
<u>Exchange traded funds:</u>				
Domestic stock funds	\$ 4,941,403	\$ 937,534	\$ -	\$ 5,878,937
International stock funds	1,382,602	67,618	-	1,450,220
Emerging market stock funds	<u>800,123</u>	<u>-</u>	<u>(178,143)</u>	<u>621,980</u>
Total exchange traded funds	<u>\$ 7,124,128</u>	<u>\$ 1,005,152</u>	<u>\$ (178,143)</u>	<u>\$ 7,951,137</u>
<u>Mutual funds:</u>				
High yield bond funds	<u>\$ 2,301,869</u>	<u>\$ -</u>	<u>\$ (177,269)</u>	<u>\$ 2,124,600</u>



# County Reinsurance, Limited

## Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

### Note C - Investments (Continued)

The cost or amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values for investments in fixed-maturity securities by major security type and exchange traded funds by sector at December 31, 2014 are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>Fixed-maturity securities:</u>				
U.S. Treasury notes	\$ 17,894,848	\$ 333,088	\$ (10,951)	\$ 18,216,985
Obligations of U.S. Government sponsored enterprises	53,049,336	1,033,696	(511,900)	53,571,132
Corporate bonds	58,288,827	1,426,377	(211,869)	59,503,335
Asset-backed securities	17,273,232	32,869	(20,191)	17,285,910
Collateralized mortgage obligations	327,210	81,646	-	408,856
Commercial mortgage-backed securities	11,265,217	248,658	(14,978)	11,498,897
Municipal bonds	<u>7,460,650</u>	<u>318,222</u>	<u>(2,692)</u>	<u>7,776,180</u>
Total fixed-maturity securities	<u>\$ 165,559,320</u>	<u>\$ 3,474,556</u>	<u>\$ (772,581)</u>	<u>\$ 168,261,295</u>
<u>Exchange traded funds:</u>				
Domestic stock funds	\$ 3,556,373	\$ 1,323,392	\$ -	\$ 4,879,765
Capital high yield bond funds	1,708,148	-	(41,625)	1,666,523
International stock funds	1,094,721	143,349	-	1,238,070
Emerging market stock funds	<u>622,332</u>	<u>-</u>	<u>(22,952)</u>	<u>599,380</u>
Total exchange traded funds	<u>\$ 6,981,574</u>	<u>\$ 1,466,741</u>	<u>\$ (64,577)</u>	<u>\$ 8,383,738</u>

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations without penalty. The scheduled maturities of bond investments at December 31, 2015 are as follows:

Maturity:	Amortized Cost	Estimated Fair Value
In 2016	\$ 4,434,818	\$ 4,442,413
In 2017-2020	54,967,886	55,303,893
In 2021-2025	30,675,013	30,654,493
Due after 2025	55,643,138	55,725,607
Mortgage and asset-backed securities	<u>36,450,350</u>	<u>36,442,916</u>
Total	<u>\$ 182,171,205</u>	<u>\$ 182,569,322</u>

# County Reinsurance, Limited

## Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

### Note C - Investments (Continued)

During 2015 and 2014 CRL recognized gross realized gains on sales of investments of \$334,904 and \$611,921, respectively. During 2015 and 2014, CRL recognized gross realized losses on sales of investments of \$68,278 and \$77,241, respectively.

The Company has adopted the fair value guidance for financial instruments. Accordingly, market value adjustments related to the change in unrealized gains or losses on fixed maturity and equity securities held as of the reporting date are included as a component of net investment income on the statements of operations. Investment income for the years ending December 31, 2015 and 2014 is summarized as follows:

	2015	2014
Investment Income:		
Fixed-maturities	\$ 4,487,305	\$ 4,047,332
Exchange traded funds and mutual funds	295,124	330,884
Auction rate securities	9,553	9,306
Cash and short-term investments	2,078	1,941
Change in net unrealized gains on assets held at reporting date	<u>(3,056,282)</u>	<u>1,981,761</u>
Gross investment income	1,737,778	6,371,224
Investment expenses	<u>(339,092)</u>	<u>(371,526)</u>
Net investment income	<u>\$ 1,398,686</u>	<u>\$ 5,999,698</u>

# County Reinsurance, Limited

## Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

### Note C - Investments (Continued)

The following tables present the level within the fair value hierarchy at which CRL's fixed-maturity investments are measured on a recurring basis as of December 31, 2015 and 2014:

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Fixed-maturity securities:</u>				
U.S. Treasury notes	\$ 21,518,411	\$ -	\$ -	\$ 21,518,411
Obligations of U.S. Government sponsored enterprises	-	54,540,771	-	54,540,771
Corporate bonds	-	58,427,231	-	58,427,231
Asset-backed securities	-	23,968,316	-	23,968,316
Collateralized mortgage obligations	-	361,081	-	361,081
Commercial mortgage- backed securities	-	12,113,519	-	12,113,519
Municipal bonds	-	11,639,993	-	11,639,993
 Total fixed-maturity securities	 <u>\$ 21,518,411</u>	 <u>\$ 161,050,911</u>	 <u>\$ -</u>	 <u>\$ 182,569,322</u>
 <u>December 31, 2014</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Level 3</u>	 <u>Total</u>
<u>Fixed-maturity securities:</u>				
U.S. Treasury notes	\$ 18,216,985	\$ -	\$ -	\$ 18,216,985
Obligations of U.S. Government sponsored enterprises	-	53,571,132	-	53,571,132
Corporate bonds	-	59,503,335	-	59,503,335
Asset-backed securities	-	17,285,910	-	17,285,910
Collateralized mortgage obligations	-	408,856	-	408,856
Commercial mortgage- backed securities	-	11,498,897	-	11,498,897
Municipal bonds	-	7,776,180	-	7,776,180
 Total fixed-maturity securities	 <u>\$ 18,216,985</u>	 <u>\$ 150,044,310</u>	 <u>\$ -</u>	 <u>\$ 168,261,295</u>

## County Reinsurance, Limited

### Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

#### Note C - Investments (Continued)

As of December 31, 2015 and 2014, all exchange traded funds are classified as level 1 within the fair value hierarchy. As of December 31, 2015, all mutual funds are classified as level 1 within the fair value hierarchy.

#### Note D - Federal Income Taxes

CRL is a corporation formed to provide various types of insurance and reinsurance coverages solely to its members who are non-profit, risk-sharing pools of political subdivisions of states. CRL received approval to be tax exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Service Code. Accordingly, no provision for federal income taxes is included in the accompanying financial statements. CRL does not believe it has taken any uncertain tax positions that would jeopardize its federal income tax exemption status.

#### Note E - Service Agreements and Related Party Transactions

Accounting and reporting services, records retention and other management services are provided by USA Risk Group of Vermont, Inc. (USA Risk). An employee of USA Risk is a director and officer of the Company. Marsh Inc. provides brokerage and risk management services. Alternative Services Concepts, LLC provides claims auditing and management services.

CRL employs an Executive Director whose responsibilities include supervising all contractors, vendors, and service providers engaged by CRL. The Executive Director also supervises all CRL employees who assist with underwriting, claims management and other administrative functions.

The Company sponsors a simplified employee pension individual retirement arrangement (SEP-IRA) for its employees. The Company does not offer any post employment benefits.

#### Note F - Property, Furniture and Equipment

CRL owns condominium office space in Clemmons, North Carolina. Property, furniture and equipment consisted of the following at December 31:

	2015	2014
Real estate	\$ 567,544	\$ 567,544
Furniture and equipment	64,617	65,378
Less: accumulated depreciation	<u>(156,814)</u>	<u>(142,727)</u>
Property, furniture and equipment, net	<u>\$ 475,347</u>	<u>\$ 490,195</u>



## County Reinsurance, Limited

### Notes to the Financial Statements (Continued)

Years ended December 31, 2015 and 2014

#### **Note F - Property, Furniture and Equipment (Continued)**

Depreciation expense of \$20,818 and \$21,231 for the years ended December 31, 2015 and 2014, respectively, is included in general and administrative expenses.

#### **Note G - Loss Contingency**

CRL is subject to various legal proceedings, claims, and liabilities which arise in the ordinary course of operations. In the opinion of CRL's management, the ultimate resolution of these matters will not have a material adverse impact on the Company's financial position or results of operations.

#### **Note H - Members' Contributions and Surplus**

In accordance with laws of the State of Vermont, for the purpose of submitting its financial statements to the State for regulatory purposes, CRL is required to use GAAP with the exception of variances prescribed by Vermont laws and regulations or permitted by the Department. Pursuant to laws of the State of Vermont, CRL is required to maintain members' contributions and surplus of \$500,000. Members' contributions and surplus was \$48,755,229 and \$44,866,432 at December 31, 2015 and 2014, respectively.

CRL is owned by 26 and 24 members at December 31, 2015 and 2014, respectively. Each member pool made an initial contribution based on a percentage of its net reinsurance premium. Additional contributions may be required from member pools as determined by the Company. Additional contributions totaled \$293,100 and \$172,079 in 2015 and 2014, respectively.

Upon a withdrawal or termination of a member, the member may request repayment of the original contribution plus a portion of CRL's earnings accumulated during its membership. The repayment may be granted at the discretion of the Board of Directors with prior approval from the Department. Repayment, subject to approval, can be paid in either a lump sum or in installments up to a maximum period of five years.

Vermont law provides that no dividends may be paid to shareholders without prior approval of the Insurance Commissioner of the Department. There have been no dividends declared or paid in 2015 and 2014.

There are no differences, other than rounding, between members' contributions and surplus and net income as reported in the 2015 and 2014 Vermont Captive Insurance Company Annual Reports and the corresponding amounts reported in these financial statements.

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